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ANNUAL REPORT

FISCAL YEAR

1980-81

ARIZONA DEPARTMENT OF REVENUE

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Pictured on the front cover is the Arizona Territorial Capitol completed in 1900 at a cost of approximately $136,000. This building is the first Arizona owned seat of government.

This original structure is 184 feet long and 84 feet wide and was designed by Thomas Riley Gordon of San Antonio, Texas. The exterior was constructed entirely of Arizona products. The blocks are of grey granite from the Salt River Mountains; the tufa (porous rock) is from Yavapai County; the foundation is malapia rock from Camelback Mountain in Maricopa County.

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ARIZONA

DEPARTMENT OF REVENUE

J. ELLIOTT HIBBS, DIRECTOR

Paul Waddell, Assistant Director

Division of Administration

Harold Scott, Assistant Director

Division of Property and Special Taxes

David P. Jankofsky, Assistant Director

Division of Taxation

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ANNUAL REPORT

FISCAL YEAR 1980-81

J. ELLIOTT HIBBS
DIRECTOR

BRUCE BABBITT
GOVERNOR

Arizona Department of Revenue

CAPITOL BUILDING
1700 W. WASHINGTON
PHOENIX, ARIZONA 85007

The Honorable Bruce Babbitt
State House
Phoenix, Arizona 85007

Dear Governor Babbitt:

Fiscal year 1980-81 was a year in which the Department of Revenue continued its program of reorganization and development. We are particularly proud of our ability to reduce average receipt processing time to under two calendar days; to increase collections by 32 percent during a very sluggish economy; and to increase income tax office audit efficiency by over 200 percent. At the same time, we were able to make a concerted effort to improve our public service responsibilities through creation of the taxpayer assistance unit.

We have initiated additional programs to further enhance our ability to process returns, enforce tax laws, assist taxpayers and improve property tax administration which will be reflected in department operations in future years.

It was also a year in which handling of property tax and sales tax programs had to be dramatically changed as a result of the Special Session on Tax Reform and Distribution. The majority of the property tax reforms were implemented in 1980-81 with some changes remaining to be implemented during the 1981-82 fiscal year. These required substantially new data processing systems and procedures. Similarly, the repeal of the sales tax on food required major revisions to the sales tax program.

The department was able to meet these statutorily mandated challenges and still make significant progress in improving internal operations. The following report details the Department of Revenue operations for fiscal year 1980-81, its accomplishments and plans.

Respectfully,

J. Elliott Hibbs, Director

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ARIZONA REVENUE ENVIRONMENT

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ARIZONA REVENUE ENVIRONMENT

As a prelude to the discussion of recent trends in Arizona revenue collections, this chapter reviews some of the more relevant factors that determine Arizona's tax climate. This background should help explain the large shifts in Arizona's primary tax collections, the sales and income taxes.

Demography

Population trends affect most taxes but manifest themselves most strongly in sales and income taxes. Retail sales respond quickly to population changes while income taxes tend to lag behind. During FY 79/80 and 80/81, Arizona experienced significant in-migration, the trend of which has followed more than three decades. The 3 percent annual population increases noted in Table 1, however, are well below the 4.3 percent average annual growth Arizona had in the 1970's and confirm the traditional effect of an economic slowdown on population mobility. As the influx of new residents diminishes, it is reflected in lower growth in employment and personal income and ultimately in state revenues. The dampening effect on tax revenues of reduced in-migration is compounded by the state of the economy in the past year and by legislation that reduced taxes.

Economy

Despite the population increases, Arizona's economy followed, to some extent, the national trend of an economic slowdown in FY 80/81. As Table 2 illustrates, this was reflected in two key industries as both construction contract awards (down from 78/79) and taxable mining sales fell significantly from prior years. Contributing to the general weakening of the economy was a four-month mining strike. Arizona's personal income rose, however, reflecting the population increase.

TABLE 1

Arizona and U.S. Population*

1979-1981

	July 1979	July 1980	July 1981
Arizona	2,664,000	2,737,800	2,819,900
Percent Change		2.77%	3.00%
U. S.	224,567,000	227,158,000	229,304,000
Percent Change		1.15%	.94%

* Source Arizona Department of Economic Security
1981 Data Estimated

TABLE 2

Economic Activity

Activity	1978/79	1979/80	1980/81
Personal Income*	$19,221,000,000	$22,529,000,000	$25,300,000,000
Percent Change		17.2%	12.3%
Construction Contracts**	$ 3,374,285,000	$ 3,143,641,000	$ 3,339,798,000
Percent Change		(6.8%)	6.2%
Taxable Mining Sales	$ 1,888,422,000	$ 2,344,280,000	$ 2,081,745,000
Percent Change		24.1%	(11.2%)

Source * Estimates based on figures of Bureau of Economic Analysis
** Estimates based on figures of University of Arizona

Arizona Tax Law

While the above factors were developing, major changes in Arizona tax law were enacted. Key items affecting the sales and income tax receipts in FY 80/81 include:

1. Repeal of the sales tax on food at a cost of $76,000,000 for FY 80/81.
2. A shift in the due date of sales tax returns at an estimated cost of $24,000,000 for FY 80/81.
3. Inflation indexing of income tax deductions, credits and exemptions, which began in 1978 and was made permanent in 1980 at a cost of $157,000,000 for FY 80/81.

The combined effect of these items is thus estimated to exceed $250,000,000 in FY 80/81 tax revenues. Table 3 and Chart 1 illustrate the impact and growth of the tax credit program.

TABLE 3

Summary of Special Tax Credits

1980-1981

Tax Credit	*Number of Credits Claimed	Amounts	Percent of Total Dollars
Solar Energy	14,322	$ 8,428,405	17.99%
Residential Insulation	35,223	2,553,627	5.45
Property Tax	53,622	15,203,388	32.45
Renter's Credit	209,481	20,663,868	44.11
Total Credits	312,648	$46,849,288	100%

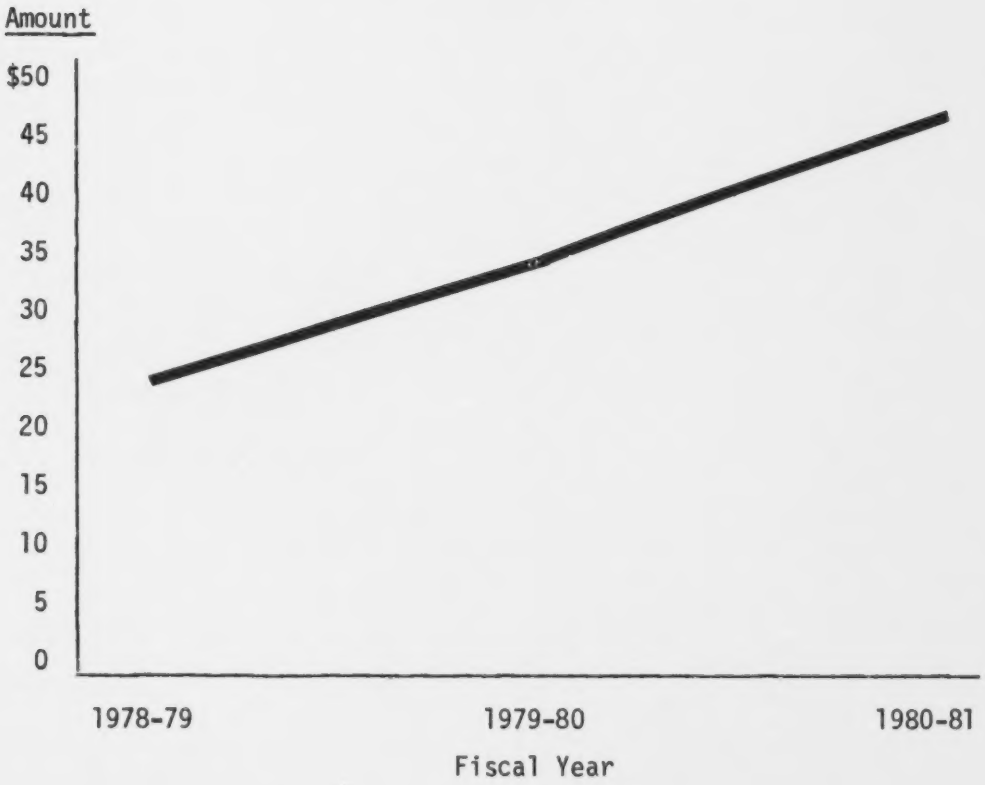
* A single taxpayer may claim more than one tax credit.

CHART 1

Summary of Special Tax Credits

1978-79 / 1980-81

(In Millions)



Impact Upon Revenue Collections

The combined impact of the above factors contributed significantly to the shift in net sales and income tax collections illustrated in Table 4.

TABLE 4

Net Primary Tax Collections

Tax	1979/80	1980/81		Percent Change
Sales and Use	$ 613,572,917	$540,712,199	$-72,860,718	-11.9%
Income	389,980,984	435,769,766	+45,788,782	+11.7
Total Major Taxes	$1,003,553,901	$976,481,965	$-27,071,936	- 2.7%

DEPARTMENT HIGHLIGHTS

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DEPARTMENT HIGHLIGHTS

The Department of Revenue administers the licensing, collection and enforcement of 13 taxes for the state and 57 city sales tax programs. It also administers the centrally valued property tax appraisal program and oversees the locally assessed property tax programs. The taxes it administers, collects and enforces are:

- Education Excise Tax
- Special Excise Tax for Education
- Transaction Privilege Tax
- Use Tax
- Individual Income Tax
- Corporate Income Tax
- Withholding Tax
- Luxury Tax
- Estate Tax
- Lieu Tax on Private Car Companies
- Flight Property Tax
- Bingo Tax
- Rental Occupancy Tax

Major sources of revenue collected by the department for fiscal year 80/81 and gross receipts are as follows: (rounded to millions)

Source	Amount
Sales and Use Taxes	$ 751,000,000
Income and Withholding	589,000,000
Luxury Taxes	63,000,000
Municipal Sales Taxes	27,000,000
Other Taxes	18,000,000
Total	$1,448,000,000

Source	Percent of Total
Sales and Use Taxes	51.9%
Income and Withholding	40.7%
Luxury Taxes	4.3%
Municipal Sales Taxes	1.9%
Other Taxes	1.2%

Major distributions of revenues collected by the department for FY 80/81 were as follows: (rounded to millions)

Category	Amount
General Fund	$1,056,000,000
City and Counties*	290,000,000
Refunds	102,000,000
	$1,448,000,000

Category	Percent
General Fund	72.9%
City and Counties*	20.1%
Refunds	7.0%

* City and county revenues include municipal sales tax collections, urban revenue sharing and city and county shares of transaction privilege tax revenues.

The following illustrates the importance of the DOR programs to the general fund. Depicted are the primary sources of tax receipts in the general fund. The amount of dollars deposited from each source is rounded to the nearest million dollars.

General Fund Tax Revenue FY 80/81

	Amount	Percent of Total
Department of Revenue Deposits	$1,056,000,000	86.8%
Property Taxes	84,000,000	6.9
Insurance Premium Tax*	33,000,000	2.7
Motor Vehicle License Tax*	32,000,000	2.6
All Other Taxes*	12,000,000	1.0
Total Tax Revenue FY 80/81	$1,217,000,000	

* Source - Department of Administration Finance Division

The department's Property Tax Division also contributed to the collection of $84,000,000 in state property taxes collected by county treasurers and deposited in the general fund.

The department's activities can be divided into four programs:

- Processing
- Enforcement
- Taxpayer Assistance
- Property Tax Administration

Processing includes business production-type work such as mailing, mail opening, document processing, cashiering, accounting, filing, file retrieval and data entry into the computer. These duties now primarily reside in the Division of Administration.

Enforcement includes licensing, auditing and collections. It involves identifying who should be paying taxes, insuring they pay the correct amount and collecting delinquent taxes due. Most of these activities along with most taxpayer assistance programs are performed by the Division of Taxation.

Taxpayer Assistance encompasses public services duties that range from explaining Arizona tax laws to helping taxpayers prepare returns.

Property tax administration entails activities in support of the state property tax and includes appraisal of large properties, establishing standards for appraisal and training and auditing of county assessor operations. The volume of activities performed in all four programs continues to rise. The following data illustrates how that workload has increased by program.

	1978/79	1979/80	1980/81
Processing			
Returns processed			
Income tax	909,530	1,018,147	1,052,686
Sales and Use	747,590	750,943	798,582
Withholding	195,326	212,831	232,172
Income tax billings	126,089	132,318	146,934
Mail processed ***	4,994,000*	5,130,000*	4,876,000**
Filing			
Correspondence filed, file pulls/refiles	618,000	930,000	851,000
Returns filed (all types)	2,016,693	2,085,076	2,184,721
Records destroyed	25 tons	32 tons	47 tons
Total receipts processed	$1,207,000,000	$1,429,000,000	$1,448,000,000

* Approximate ** Metered count *** Includes received and sent

Enforcement			
License/Registrations			
Transactions	64,619	77,473	87,882
Audit assessments			
Sales	$14,700,000	$13,570,000	$15,710,000
Income*	$ 6,632,000	$15,218,000	$18,760,000
Audit volume			
Sales	1,698	1,409	1,665
Income*	5,731	5,785	13,991
Collections			
Phone	N/A	$ 726,000	$ 2,171,000
Field	N/A	$ 7,650,000	$ 9,184,000
Audit	N/A	N/A	$13,427,929

* Includes field audit and office audit assessments. The number rose 157% in office auditing due to the removal of taxpayer assistance work from the audit staff and a shift in audit emphasis.

	1978/79	1979/80	1980/81
Taxpayer Assistance			
Practitioner Newsletter			
Issues	-	1	7
Readership	-	800	2,000
Telephone calls	232,979	254,652	192,874
Taxpayer visits	29,233	25,309	30,274
Property Tax Administration			
Centrally value properties			
Assessed	812	828	869
Assessor training courses	30	33	25
Workshops conducted	12	20	25
Appraisers certified	105	245	72
Affidavits processed	109,000	146,000	167,000

Major Accomplishments

During this fiscal year the department continued to improve its operations. Following are some of the key accomplishments:

Processing

- Consolidated all tax document processing and standardized procedures. This resulted in improved security, improved processing times, increased staffing flexibility and faster revenue processing. Average deposit times for sales tax receipts dropped from 11 to 1.5 calendar days on quarterly peaks and to less than one day during normal months.

- Accelerated the income tax processing program. The first refunds were sent out two weeks earlier than in FY 79/80; 3.5 percent more returns were processed from January 1 to June 30 than in the same period last year; average turn-around time on error-free refunds dropped to two weeks during the height of the season and all receipts postmarked by April 15 were deposited by April 30.

- Improved security through creation of an employee ID badge program and sign-in procedures. These steps have restricted access to confidential documents to authorized persons.

Enforcement

- Completed the consolidation of all licensing and registration activities in one unit. This effort improved taxpayer convenience via one-stop service and improved enforcement of all taxes through program interaction. In addition, the department cooperated with the Department of Economic Security to develop a joint registration form for withholding and unemployment insurance taxes. The program insures an interdepartmental exchange of information to improve enforcement of both taxes as well as simplifying taxpayer compliance.

- Initiated a five-year renewal program for the sales tax licenses. This program will accomplish three major goals:

  Eliminate inactive accounts from the files.

Update key data elements of license records such as address, ownership information and other licensure information such as liquor license data.

Assist in collection of delinquent taxes since licenses will not be renewed unless the delinquencies are satisfied.

In the first half year of the program, 5,283 licenses were cancelled and $57,849 in delinquent receivables were collected. As the program cycles are completed the impact is expected to increase.

- Made multiple improvements in audit enforcement. These include:

  Establishment of a tax compliance unit which will work with law-enforcement agencies and the Attorney General to identify and apprehend non-filers. Although in its infancy, the unit participated in a joint investigation with California, Montana and U.S. Postal Service authorities that resulted in the apprehension of alleged principals of the largest multistate refund scheme uncovered to date.

  Instigation of an area compliance audit program on border communities. The first trip resulted in assessments of $1,295,000 primarily against non-filers. Subsequent widespread publicity has increased voluntary compliance.

  Revised procedures and selection criteria in income tax office auditing which resulted in a 157 percent increase in the number of assessments and a 230 percent hike in auditor productivity. Average assessed dollars per auditor rose from $60,000 to $199,000 per year.

  Shifted emphasis in collections from personal contact to telephone contact. This has boosted collections by 22 percent, or $1,100,000 more than last fiscal year. The number of payments received rose 82 percent from 16,877 to 30,759 and the number of contacts rose 32 percent from 44,975 to 59,275. As a result, the cost per dollar collected dropped 18 percent from 5.7 cents to 4.7 cents. As telephone collectors' skills improve, they will be assigned larger accounts. In addition to the regular collections above, the unit collected $1,140,000 in hard-core receivables.

Taxpayer Assistance

- Established the unit which began to consolidate taxpayer telephone, correspondence and walk-in assistance. Besides improving taxpayer convenience by offering broad taxpayer services in each location, the consolidation will upgrade the quality of service with improved accuracy, uniformity and timeliness of our responses.

- Extended hours of service were offered during the income tax filing season. Telephone service was open from 9 a.m. to 1 p.m. on Saturdays. The toll-free WATS line service was

extended to a year-round service.

- Expanded the tax practitioner newsletter program. As many as 70 percent of tax returns are prepared by tax practitioners. The newsletter is designed to keep this key industry advised on changes in Arizona tax law, problems with returns that need their attention and general information about the department. When the food tax exemption program was started, for example, many taxpayers did not complete the required report section property. The newsletter explained why the information was needed - to determine reimbursements to cities and counties - and how to correctly file. Reporting improved substantially. Readership grew by 266 percent this year as more practitioners requested copies of this free publication.

Property Tax Administration

- Implemented the new property tax system passed by the Legislature and adopted by the voters in June 1980. The revision required massive changes to the property tax system which had to be implemented quickly.

- Published a study of the capitalization rates used to appraise centrally valued properties. The department relies heavily on the income approach in valuing these properties. Assessments of centrally valued properties are at the multimillion dollar level and changes in the capitalization rates could have an impact on millions of dollars in assessed values. It is thus imperative that these be well documented so they can be uniformly and consistently applied.

- Completed two major audits of mines that resulted in additional property taxes of nearly $300,000.

- Implemented the "base home approach" in the appraisal of residential properties. The Designated Computer Assisted Appraisal unit which developed this program was honored with the 1981 Distinguished Assistance Award of the International Association of Assessing Officers. This award is given to only one of the thousands of international members of the association, the one that has done the most to improve assessment administration.

Planned Improvements

- Completion of the design and implementation of the computerized sales tax accounts receivable system. The system, which will be phased into other tax programs, will include the following enhancements over the existing semi-automated system:

  Math and data checks on all returns. These should identify additional errors by taxpayers and boost collections by $1,000,000.

  Automated lien generation which will enable the department to lien most of the receivable portfolio within 90 days of establishing a receivable. It is estimated this program will improve the state's security

position five-fold from the existing limited manual system.

Improved reporting for managerial control.

Automatic monthly generation of liquor complaints to the liquor board, cutting our response time from 90 to 30 days.

Automated installment payment control replacing manual tracking.

Automated licensing interface preventing relicensure of delinquent accounts.

- Simplification of the Sales Tax Return which will:

  Provide a one-page return for 99 percent of taxpayers in lieu of the current five-page return.

  Reduce form costs and partially offset postage and printing cost increases.

  Improve processing speed and accuracy.

- Acquisition of electronic remittance processing equipment and upgrading of internal audit and security controls. Subsequent programming will provide for electronic integration of this system with the main computer processing systems.

- Installation of a new mail-inserting machine capable of selective multiple insert mail processing at substantially higher speeds than the current obsolete machine. This capability will allow the department to implement the new sales tax return as well as provide the capability of individualizing messages to classes of taxpayers in each mailing. For example, it will allow specialized messages to food stores relative to the food-exempt program or to a group of taxpayers in a particular city when it enters our program or changes its tax laws.

- Consolidation of auditing activities into one unit capable of performing multidisciplined audits which will improve the efficiency and effectiveness of the audit staff.

- Continued improvements in the income tax processing system. These will include such items as on-line error resolution and more efficient programs so processing times can be further shortened. Goals for this year are to trim at least one day off deposit times, to complete the timely filed processing by June 18 and to attain average turn-around time of four weeks or less on error-free returns.

- Collection of $34 million in non-compliance revenues in FY 81/82 by improved audit and collections techniques.

- Improvement of the audit selection program for sales and individual income taxes.

- On-time implementation of the new corporate and individual estimated tax processes.

- Development of in-house technical training programs for audit and income tax processing and

taxpayer assistance. The programs will enhance the skills of existing staff in the enforcement areas and bring temporary staff up to production speed faster with fewer errors.

- Completion of audits of two county assessors' offices to insure the quality of the locally assessed property program.

- Design and implement a plan to achieve overall market value for each class of property within each county for appraisal for property tax purposes.

Additional unit goals are noted in the reports on individual sections.

MANAGEMENT AND OPERATIONS

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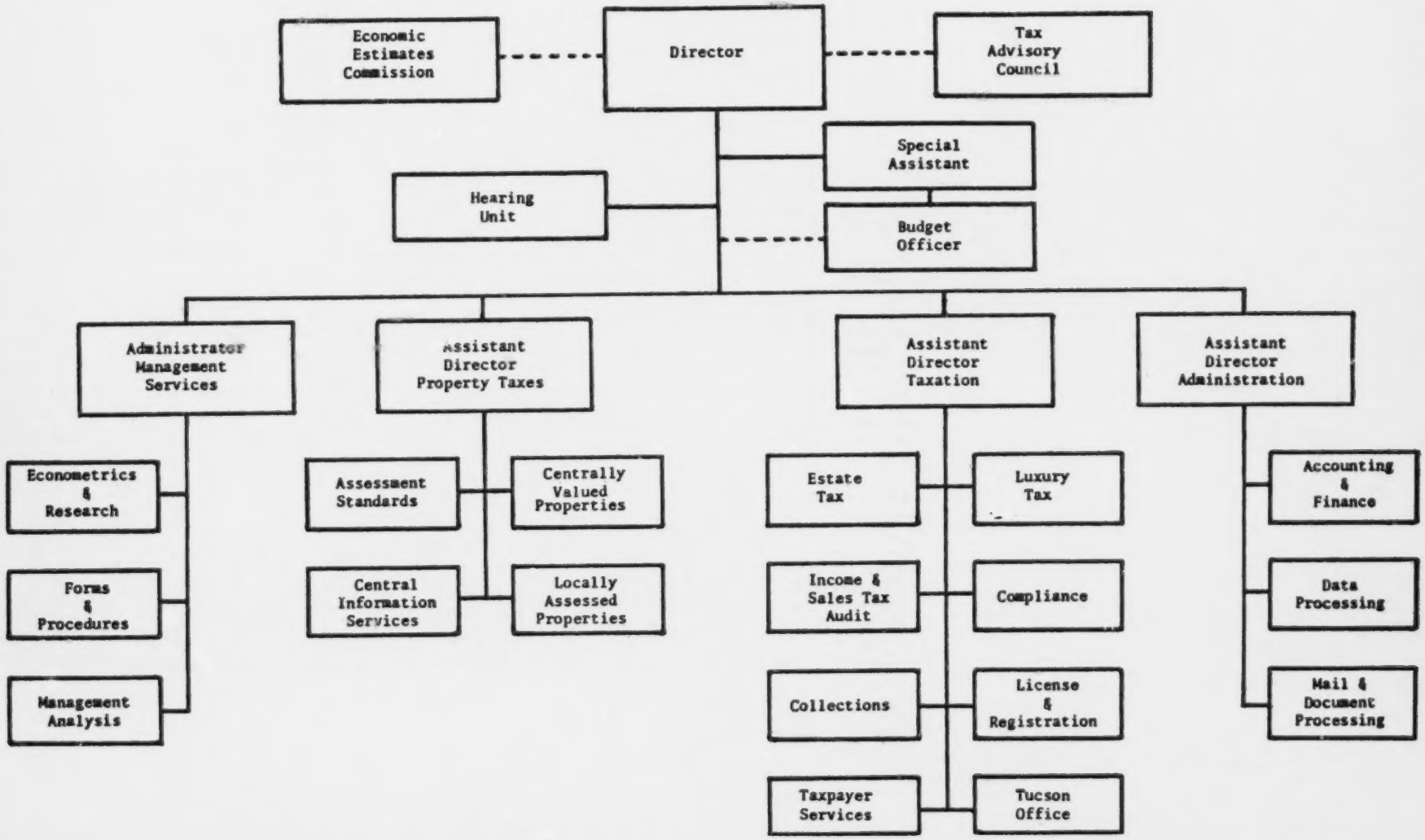
FIGURE 1

ARIZONA DEPARTMENT OF REVENUE



The goal of the Department of Revenue is to collect and distribute taxation revenue by fairly and impartially administering and enforcing the tax laws of the state of Arizona as economically as possible. Every taxpayer should be confident that the Department will treat them fairly, and at arms length, collecting only the amount of taxes due; no more and no less. Chart 2 and Table 5 depict the total results of our collections and distribution efforts for fiscal year 1980-81. These figures include municipal sales tax but do not include state property tax collected by county treasurers.

CHART 2

Total Revenue Collected

1974-75 / 1980-81

(In Millions)

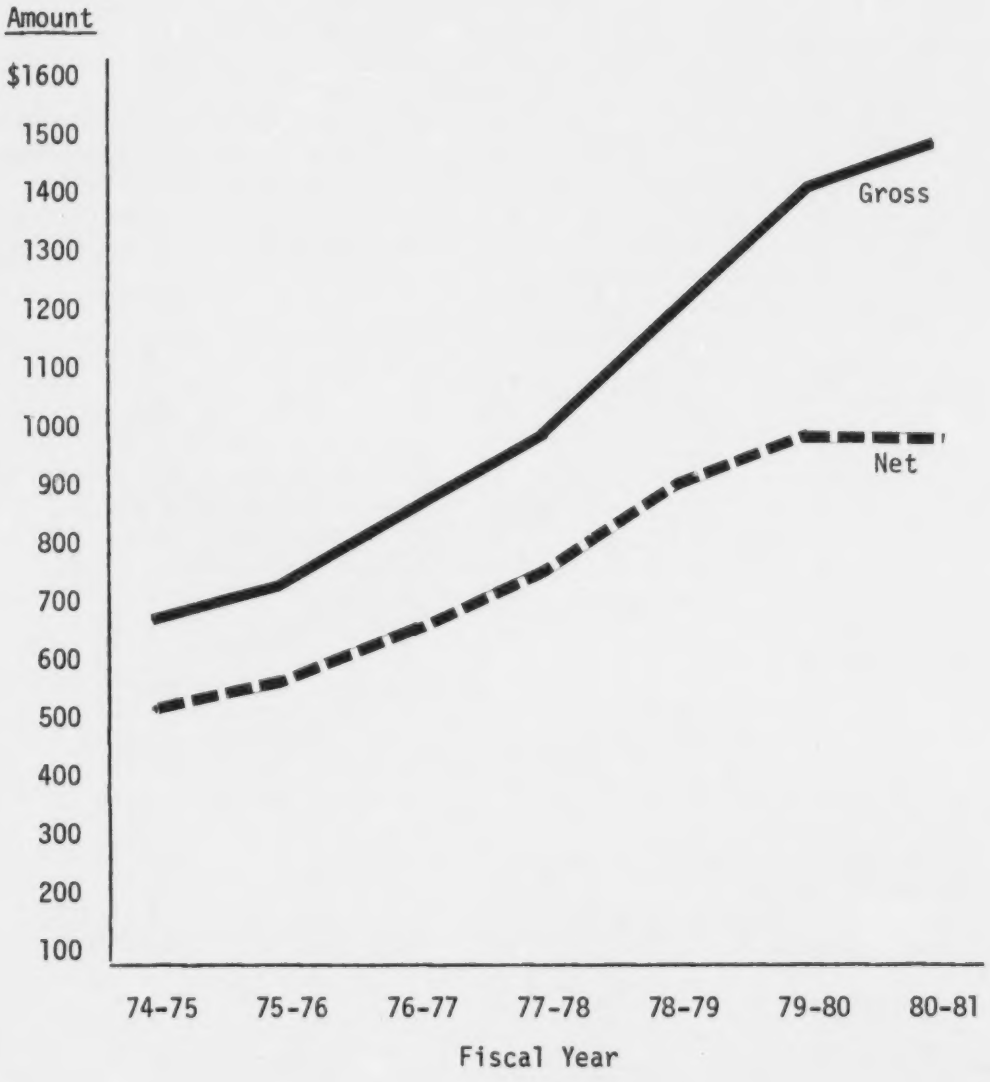


TABLE 5

Total Collections

1974-75 / 1980-81

Fiscal Year	Gross	Net
1974-75	$ 686,725,079	$ 535,409,297
1975-76	737,488,323	568,024,926
1976-77	848,890,062	652,363,129
1977-78	981,199,240	751,602,364
1978-79	1,206,898,751	920,193,490
1979-80	1,429,319,661	1,081,178,484
1980-81	1,447,820,744	1,055,859,680

All department revenues are distributed among the general revenue fund, agency funds and a trust fund. The general revenue fund accounts for all revenues and expenditures of the state not accounted for in other funds by law or contractual agreement. The majority of revenues distributed by the department go directly into this fund for legislative appropriation. Agency funds are primarily clearing mechanisms for revenues collected by the department, held briefly and then disbursed. These revenues are placed in suspense and clearing accounts before distribution as refunds, municipal funds and so on. The trust fund to which the department distributes is the Permanent Common School Fund.

Budget Analysis Unit

This unit helps the Director's Office by coordinating development of the annual budget, performing technical analysis on program funding levels and representing the department at executive and legislative budget hearings. It also prepares requests for fund transfers and supplemental appropriations and monitors Department expenditures to ensure compliance with legislative intent.

Tax Advisory Council

This council helps the director establish efficient, economical and effective administration of revenue collection, as well as ensuring a fair and uniform system of taxation.

State Tax Conference

The Arizona Tax Conference is an annual meeting sponsored by the Arizona Association of Assessing Officers and the department to provide a platform for the exchange of ideas and strategies for taxation issues. Participants represent heads of government, business and industry.

Economic Estimates Commission

This commission, chaired by the director, estimates the state's personal income for use in determining the state appropriation limitation. It establishes and updates expenditure limits for community college districts, counties, cities and towns.

HEARING AND APPEALS UNIT

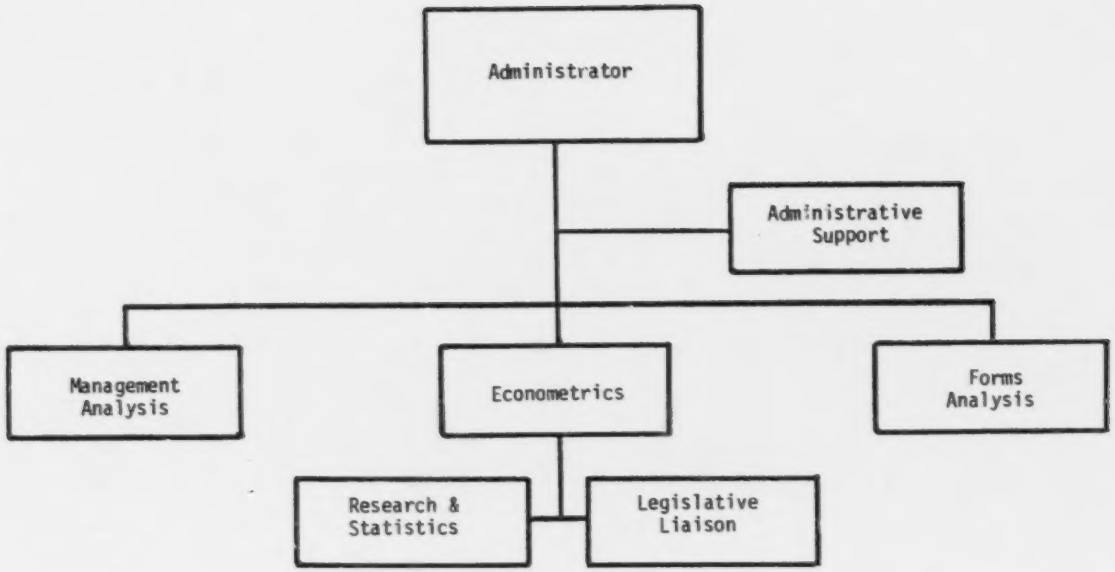
The Hearing and Appeals Unit provides taxpayers with an opportunity to challenge tax audit assessments made by the sales and use tax and income tax audit sections, affording all taxpayers due process of law. The unit receives protest petitions, sets up and maintains case files, schedules hearings, sends out notices to all interested parties, conducts hearings and issues written decisions.

During the past fiscal year, this unit issued formal rules of practice and procedures to inform interested parties of their rights and obligations within the tax appeals process. Additionally, processing times for the handling of protests have been significantly reduced to an average of 40 days.

FIGURE 2

ARIZONA DEPARTMENT OF REVENUE

MANAGEMENT SERVICES



Mission

Management Services performs technical support services for the director and the department at large. It is organized functionally into three areas: Management Analysis, Econometrics and Research and Forms Design and Control.

Management Analysis

The Management Analysis Unit conducts analysis of operations, assists in implementing recommendations, conducts internal audits and coordinates facilities management. In addition, this staff publishes the annual report and serves as internal consultants.

Econometrics

Econometrics and Research, a new unit, has a staff of two economists, a legislative liaison and a research analyst. Its role is to monitor federal and state legislation for its effect on revenue programs, prepare fiscal notes, develop and report on revenue projections, perform economic analysis for the department, provide staff support to the Economic Estimates Commission and publishes tax practitioner newsletters.

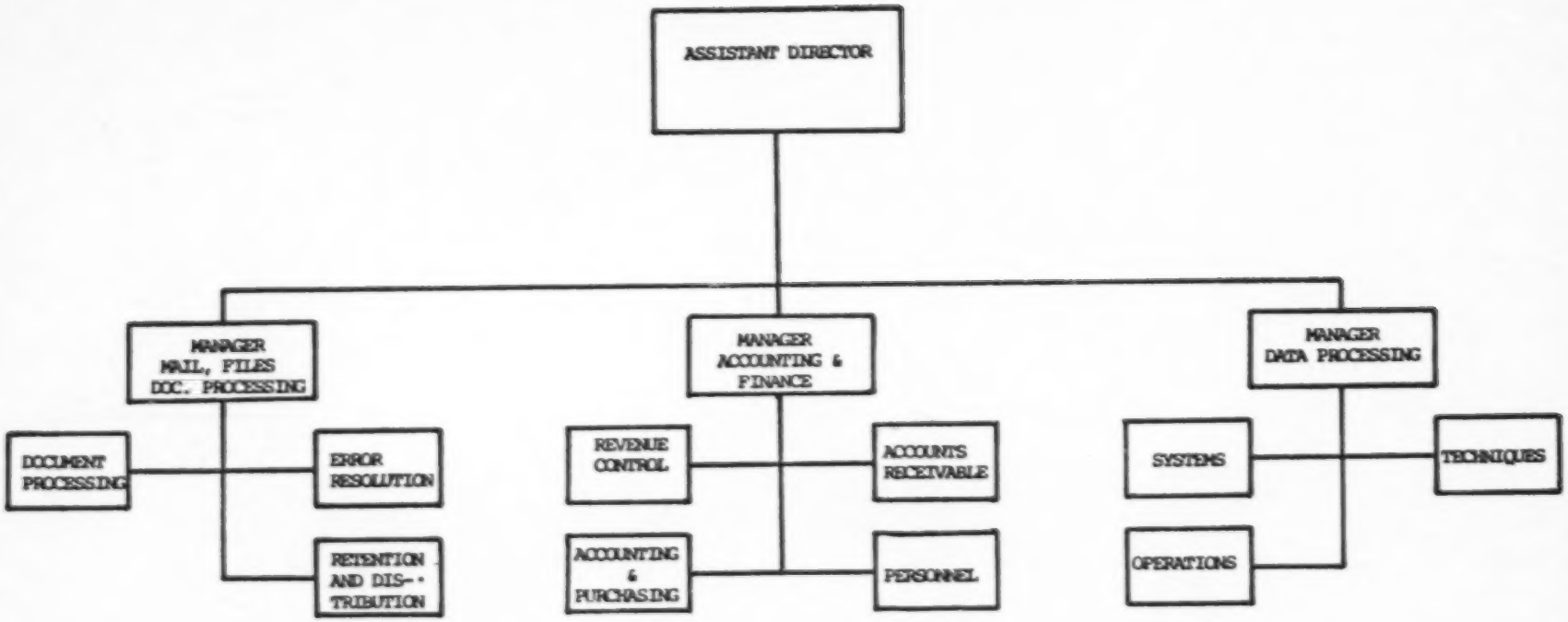
Forms Design and Control

Forms Design and Control is staffed by one analyst, whose mission is to improve the forms design and quality control of DOR forms, as well as maintaining inventories on key forms.

ADMINISTRATION

FIGURE 3

ARIZONA DEPARTMENT OF REVENUE
DIVISION OF ADMINISTRATION



Mission

The Administration Division provides support services for the department and processes revenue collections and distributions and allied activities. This is done through three sections: Accounting and Finance, Mail and Document Processing and Data Processing.

Major Accomplishments

During the fiscal year several major division-wide accomplishments were achieved in addition to those mentioned earlier:

1. To improve functional operations, the sales tax accounts receivables activity and the withholding tax accounts receivables activity were transferred from the Taxation Division to the Administration Division and consolidated.

2. An employee orientation handbook was published to assist new employees in understanding the purpose of the department and their relationship to the department.

3. A new processing technique was designed and implemented to reduce processing time for sales tax and withholding tax returns.

4. For taxpayer convenience, all taxpayer service points previously located in the Capitol basement were relocated to the first floor.

5. To enhance the confidentiality of sensitive tax documents and protect the integrity of revenues, the department's employee identification program was updated to include controlled access to work areas and new identification cards were issued.

6. All error free and unamended income tax refunds were mailed out to taxpayers within six weeks of receiving the income tax return.

7. Sales tax, income tax and luxury tax are not processed entirely in this division. Charts 3, 4 and 5, as well as Tables 6 through 11 detail those collections and distributions.

Planned Activities

In addition to routine support service and processing activities, planned activities for fiscal year 1981-82 include: the development review and update of written procedures for each operating section; the development and implementation of a comprehensive management information system; the development and implementation of an automated sales tax accounts receivable system by April with on-line access availability schedule for July 1982.

CHART 3

Income Tax Collections

1974-75 / 1980-81

(In Millions)

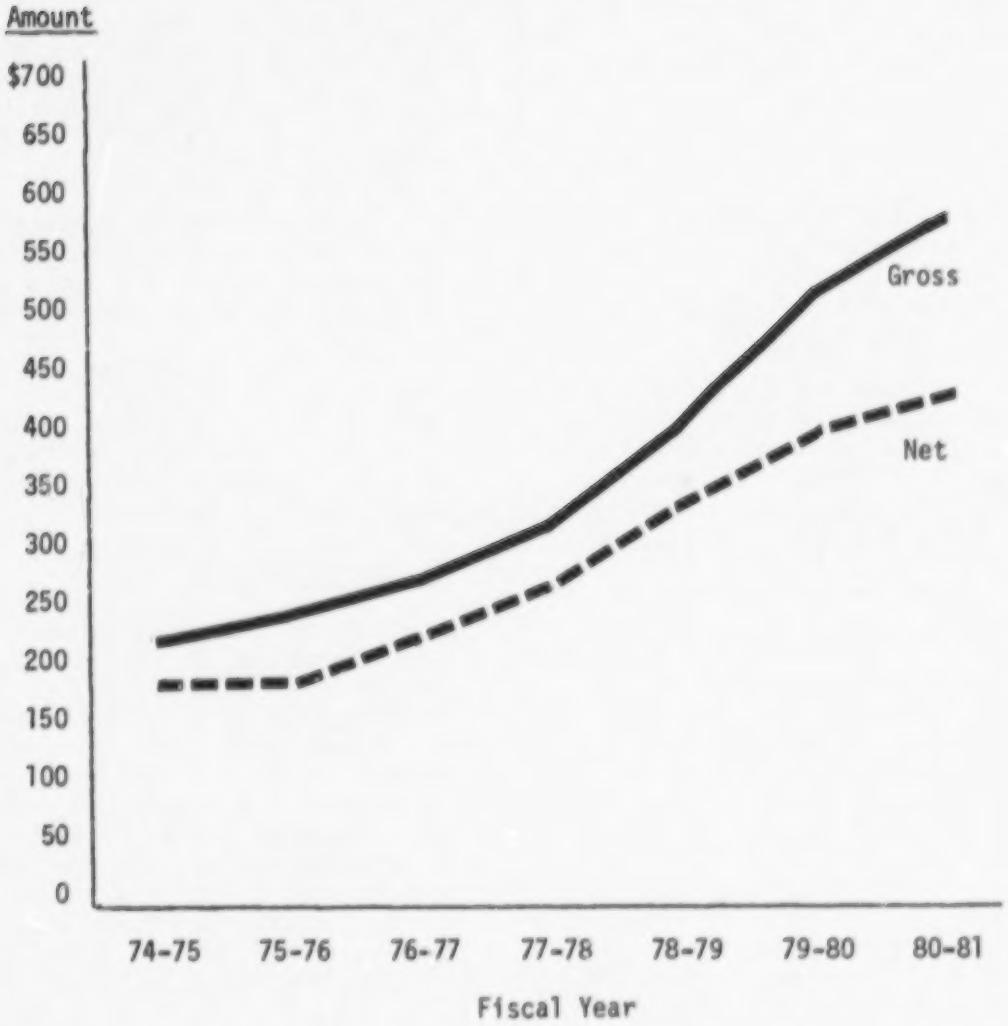


TABLE 6

Income Tax Collected

1980-1981

Tax Component	Gross	Net*	Net as Percent of Gross
Withholding	$325,366,394	$231,081,455	71.02%
Individual	133,503,187	133,049,103	99.66
Corporation	130,378,605	126,510,099	97.03
Urban Revenue Sharing	-	(54,870,892)	-
Total	$589,248,186	$435,769,765	73.95%

* Net = gross collections less refunds and Urban Revenue Sharing distributions.
Net = deposits to general fund.

TABLE 7

Total Income Tax Distributions

1980-1981

Fund	Amount	Percent of Total
General Revenue Fund	$435,769,765	73.97%
Income Tax Fund (Refunds)	98,607,529	16.73
Urban Revenue Sharing Fund	54,870,891	9.31
Unidentified Fund Income Monies	1	0.00
Total Fund Distributions	$589,248,186	100%

CHART 4

Sales/Use Tax Collected

1974-75 / 1980-81

(In Millions)

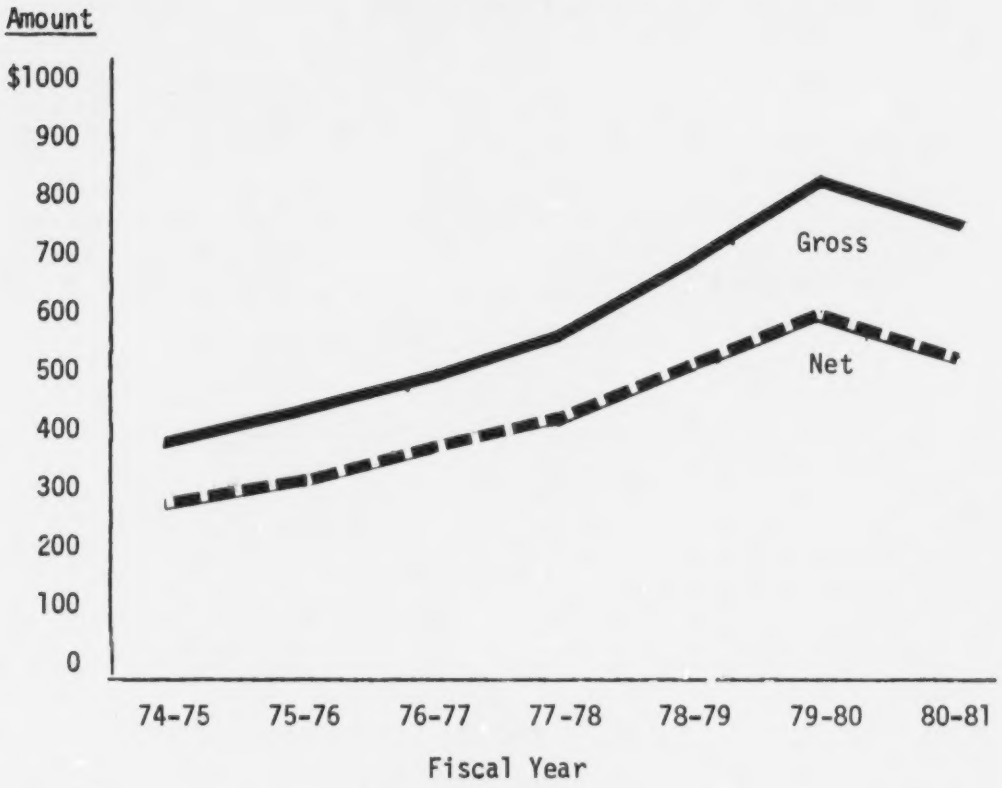


TABLE 8

Sales/Use Tax Collections

1980-1981

Tax Component	Gross	Net*	Net as Percent of Gross	Net Component as Percent of Net Total
Transaction Privilege**	$315,575,772	$106,718,563	33.82%	19.74%
Education Excise	306,054,592	305,252,637	99.74	56.47
Special Education	114,897,883	114,511,175	99.66	21.18
Use	14,016,182	13,952,963	99.55	2.58
Bingo	159,422	156,474	98.15	.03
Total	$750,703,851	$540,591,812	72.00%	100%

* Net = gross less refunds and city and county share of sales tax and food tax reimbursements.
**Includes rental occupancy tax.

TABLE 9

Total Sales/Use Tax Distributions

1980-1981

Fund	Amount	Percent of Total
General Revenue Fund	$106,718,563	14.22%
Excise and Privilege Tax[1]. Clearing Fund	2,035,957	0.27
Special Privilege Tax[2]. Clearing Fund	208,076,082	27.72
Education Excise Tax Clearing Fund	305,252,637	40.66
Special Education Excise Tax Clearing Fund	114,511,175	15.25
Use Tax Receipts Fund	13,952,963	1.86
Bingo Tax Clearing Fund	156,474	0.02
Total Fund Distributions	$750,703,851	100.00%

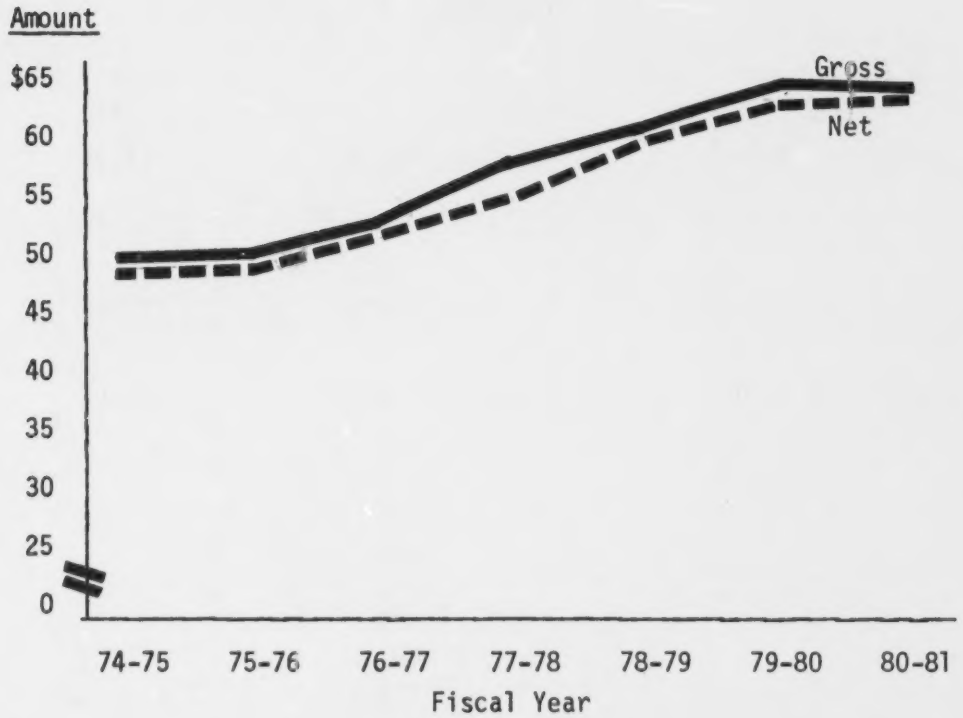
1. Refunds
2. City and county share of sales tax and food tax reimbursement.

CHART 5

Luxury Tax Collected

1974-75 / 1980-81

(In Millions)



ACCOUNTING AND FINANCE SECTION

The Accounting and Finance Section is composed of four units: Revenue Control; Accounts Receivable; Accounting and Purchasing; and Payroll Personnel.

Mission

The mission of this section includes the deposit of revenues into the state treasury within one day of receipt, administering the sales/use tax, income tax, and luxury tax accounts receivable systems; administering all accounts payable for the department; administering all payroll personnel activities; and administering all department purchasing activities. The unit's major accomplishments include the functionalization of all document processing and the improvement of the income tax processing system.

TABLE 10

Luxury Tax Collections

1980-1981

Tax Component	Gross*	Net**	Net as Percent of Gross	Net Component as Percent of Net Total
Spirituous Liquor	$13,593,465	$13,593,465	100%	21.73%
Vinous Liquor	2,632,740	2,632,740	100	4.21
Malt Liquor	6,574,829	6,574,829	100	10.51
Tobacco, Cigarettes and Tobacco Licenses	40,084,077	39,744,982	99.15	63.55
Total	$62,885,111	$62,546,016	99.46%	100%

* Reported gross collections do not include granted discounts on gross sales. For FY 1980-81 those discounts amounted to $1,005,105.

** Net = gross less refunds of $339,096 for damaged stamps, etc.

TABLE 11

Total Luxury Tax Distributions

1980-1981

Fund	Amount	Percent of Total
General Fund	$62,546,016	99.46%
Refunds	339,096	0.54
Total Distributions to Luxury Tax Clearing Fund	$62,885,112	100%

During this fiscal year the first regular (quarterly) billings were completed in sales tax receivables and electronic interface between the semi-automated system and the main computer has improved the liquor complaint and license revenue delinquency control process.

This unit also assumed responsibility for the sales of luxury tax stamps relieving luxury tax auditors of this clerical duty.

The documents manually processed in 1980-81 by Revenue Control numbered 1,652,752. This was an increase of 91,305 documents over 1979-80 with no additional positions funded. Chart 6 and Table 12 portray the trend in documents manually processed.

Planned Activities

The planned activities for this section in 1981-82 include: a continual upgrading of the accounts receivable tax systems to anticipate eventual automation; the implementation of additional internal financial controls in Revenue Control and Accounts Receivable; the installations of and training for the use of automated revenue processing equipment; and the deposit in the state treasury of all timely received individual income tax revenues by April 29, 1982.

CHART 6

Revenue Control
Documents Manually Processed

1978-79 / 1981-82e
(In Thousands)

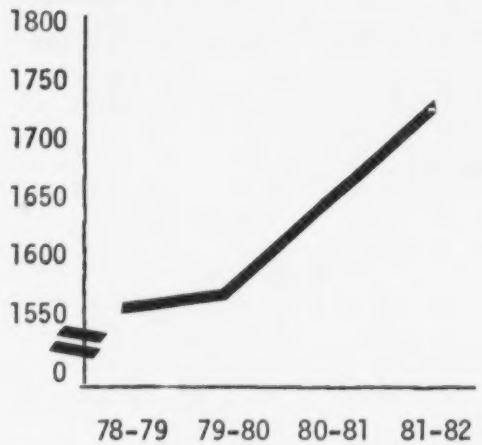


TABLE 12

Revenue Control
Documents Manually Processed

1978-79 / 1981-82e

Fiscal Year	Documents	Percent of Change
1978-79	1,540,914	-
1979-80	1,561,447	1.33%
1980-81	1,652,752	5.85
1981-82e	1,743,595	5.50

MAIL AND RECORDS SECTION

The Records Management Section is composed of three units: Document Processing; Error Resolution; and Records Retention and Distribution.

Mission

The mission of this section is to receive, open and process tax returns and revenues; to issue warrants, resolve errors on tax documents and assist taxpayers with telephone questions regarding refunds and accounts receivables; to maintain a record retention area for all tax records; to support an internal courier system; and to store and distribute forms.

Major Accomplishments

During fiscal year 1980-81 this section achieved six major improvements to operations: an open shelf filing system was installed; all income tax return mail received by April 15 was opened by April 24; a mechanized shredder was installed to provide for in-house shredding of forms and documents; in cooperation with Surplus Property, a joint project was initiated to recycle all of the department's shredded paper; a telephone inquiry team was established to answer taxpayer questions on sales tax, accounts receivable, and refunds; and record control procedures for all tax documents were implemented to provide enhanced security and control over the hundreds of tax records requested annually. Chart 7 and Table 13 indicate the volume of the tax record requests. The data identify record activity for income and withholding tax records only.

Planned Activities

During fiscal year 1981-82 this section will install mechanical mail-inserting equipment that is capable of handling larger volumes faster. A high priority is to open remittance within one day of receipt. A critical objective is to complete by, April 23, the opening of all income tax returns mail received by April 15. Another important objective is to fill tax document requests faster.

CHART 7

Mail and Records Processing Section

Record Retrievals, Transmittals and Refilings

Sales, Income and Withholding Tax Records

1978-79 / 1981-82e
(In Thousands)

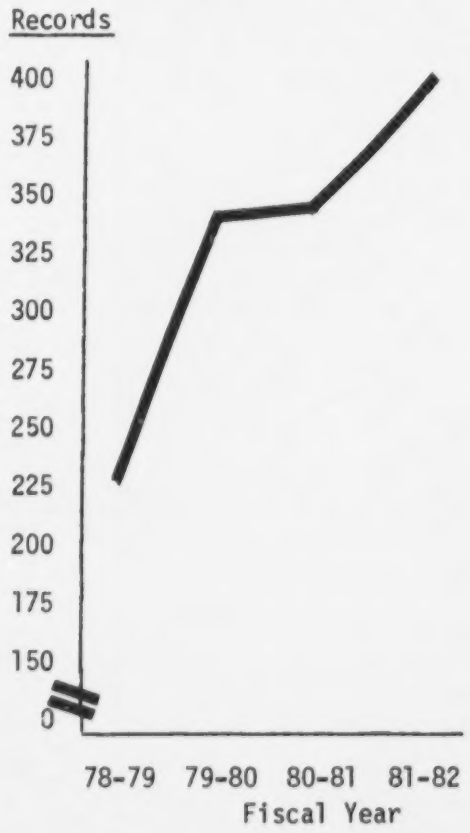


TABLE 13

Mail and Records Processing Section

Record Retrievals, Transmittals and Refilings

Sales, Income and Withholding Tax Records

1978-79 / 1981-82e

Fiscal Year	Records	Percent of Change
1978-79	228,702	-
1979-80	347,169	51.80%
1980-81	348,857	.05%
1981-82e	415,861	19.20%

e = estimated

DATA PROCESSING SECTION

The Data Processing Section is composed of three units: Systems Programming and Analysis, Techniques and Computer Operations.

Mission

This section provides data processing services and technical assistance for revenue collections and distributions and allied activities, and provides property tax data processing services to nine of the Arizona counties.

Major Accomplishments

During fiscal year 1980-81, several projects initiated before the fiscal year were completed and new projects were begun.

Automated systems: The development of an automated accounts receivable system was initiated. While sales tax information is scheduled for electronic processing first, the automated system will encompass all other business taxes. New automated systems were also written for unsecured personal property taxes, individual income taxes, five-year license renewals, capitol asset inventory tracking, milk price-fixing rebates, refunds, property tax billings and food tax repeal reimbursements.

Equipment: The seasonal processing of income tax returns was greatly enhanced by the addition of a second on-site data entry facility which increased the number of data entry terminals and helped cut turnover among operators. Also achieved was the use of off-site data entry through a private vendor. Computer terminals were installed at the Capitol Taxpayer Assistance Office and at the Taxpayer Assistance Office at 49 West Van Buren. The installation of these two terminals will allow immediate access to automated tax records for prompt taxpayer information. A telephone-linked terminal was also installed within the Property Tax Division for direct computer access. Master copies of all fiche and tapes containing processed information are now stored off-site to provide for secure replacement.

For fiscal year 1980-81, the computer "up time" was 98 percent of total work hours.

Additional tasks: A major bid package for a new mini-computer was completed. The zip code sorting of all sales tax mail has been implemented. The capability of processing income tax returns while providing simultaneous on-line file inquiry has been added. A disaster

recovery plan was developed and simulated. A ninth county, Greenlee, was added to the automated property tax information system. A new income tax billing letter was implemented. The amount of data processed through terminal access was increased by 75 percent.

Planned Activities

While the 1980-81 fiscal year's activities reflect an emphasis on new systems writing, the activities planned for fiscal year 1981-82 reflect expected equipment acquisitions, although automated systems and additional tasks are also scheduled for completion.

Automated systems: A new automated system for processing corporate estimated tax returns will be implemented. The automated sales tax accounts receivable system begun in the reporting year will be modified to incorporate changes for 1981 income tax returns.

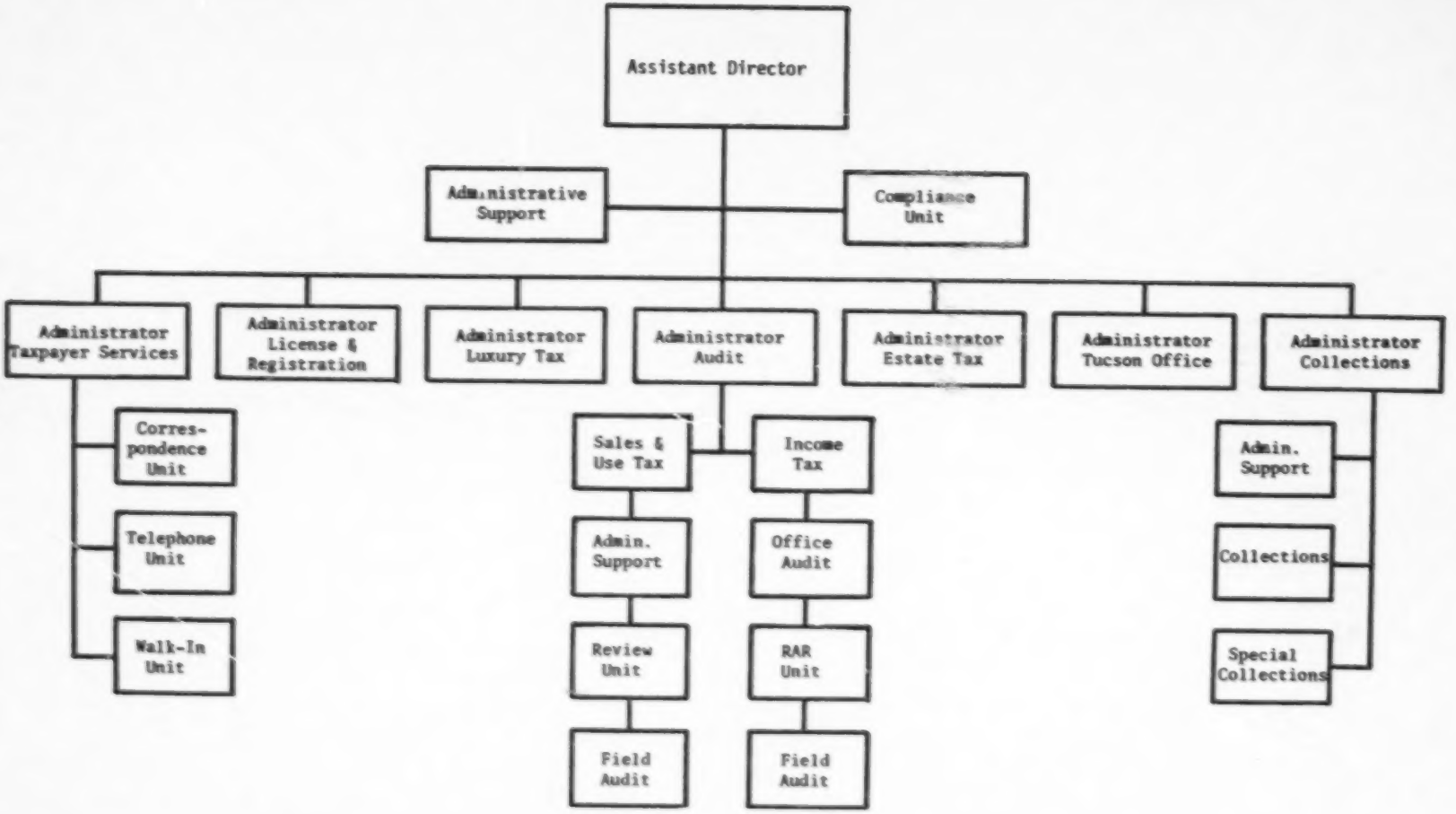
Equipment: A bid package will be developed for a replacement to the current Univac computer. Systems conversion for the replacement may be initiated. In addition to the main-frame computer, communications minicomputers have been requested including a new communication controller. A final plan is scheduled for completion for the department's state-wide telecommunications network. A computer terminal will be installed in the department's Tucson office to provide automated and on-line file inquiry capability.

Additional tasks: The storage capacity for terminal access to electronically processed information will be increased by 20 percent. Systems development and systems programming standards will be developed. All sales tax accounts will be captured on fiche with a three-year history of transactions for each account.

FIGURE 4

ARIZONA DEPARTMENT OF REVENUE

DIVISION OF TAXATION



The Taxation Division accomplishes its objectives through eight sections: Taxpayer Services; License and Registration; Collections; Auditing; Luxury Tax Auditing; Estate Taxation; Tucson Office and, the new Compliance Section.

Mission

The mission of this Division is the enforcement of Arizona tax laws and regulations for income, sales, luxury and estate taxes to achieve the maximum level of cost-effective compliance and to assist taxpayers in that compliance. The licensing of taxpayers, auditing of their records and collection of taxes due are the primary measures taken to insure compliance.

Major Accomplishments

Audit assessments for sales and income taxes rose 19.7 percent, up $5,684,000 from 1979-80.

Collections receipts increased by 35.6 percent, or $2,979,000 due to increased staff and efficiency. At the same time, costs per dollar collected fell from 5.7¢ to 4.7¢. This accomplishment is particularly significant as it occurred during an economic slowdown when collections are harder to achieve.

The division also established a tax compliance section and developed an auditing program to improve compliance in trust, fiduciary and estate taxes.

In licensing and registration, a five-year renewal program was implemented and total new registrations and licenses rose 15.6 percent.

The taxpayer assistance unit was formed, with its supervisor reporting directly to the assistant director of the Taxation Division. By consolidating these activities and elevating it in the organization to this level, the quality of assistance should dramatically improve.

Municipal Sales Tax Program

In 1973, the approval of Proposition 300 authorized the department to administer the sales tax program of any Arizona municipality. Cities can contract for the department to collect the sales tax and license fee, perform audits, pursue delinquent accounts and remit the total amount collected to the municipality on a weekly basis. All these activities are provided without reimbursement to the department. Charts 8 and 9, and Tables 14 and 15 portray the department's success in conducting this program.

Planned Activities

During fiscal year 1981-82, the audit section will be reorganized. Complete and uniform standards of performance will be developed for all taxpayer services and collections personnel. The feasibility of issuing audit assessments from the Tucson office will be evaluated. The number of Bingo compliance inspections will be greatly increased as will the enforcement of withholding tax laws. A feasibility study will be completed for obtaining computerized information on out-of-state purchased vehicles from the Arizona Department of Transportation, to improve the efficiency of this use tax enforcement tool.

TABLE 14

Municipal Sales Tax Collection Program

Collections and Distributions by Municipality

1980-1981

Municipality	Sales Tax Rate	Collections and Distributions	Percent of Total
Avondale*	1%	$ 203,500	0.74%
Apache Junction	1%	567,797	2.07
Bisbee	2%	452,356	1.65
Buckeye	1%	260,802	0.95
Casa Grande	1½%	1,613,360	5.89
Clarkdale*	1%	13,377	0.05
Clifton	1%	135,919	0.50
Coolidge	1%	379,597	1.38
Cottonwood	1%	470,092	1.72
Douglas	2%	1,514,500	5.53
Duncan	2%	56,584	0.21
Eagar	2%	64,637	0.24
El Mirage	2%	151,503	0.55
Eloy	1%	187,713	0.68
Florence*	2%	44,042	0.16
Fredonia	1%	29,629	0.11
Gila Bend	2%	244,131	0.89
Gilbert	1%	163,961	0.60
Glendale	1%	6,130,612	22.37
Globe	1%	479,592	1.75
Goodyear	1%	430,204	1.57
Guadalupe	1%	58,433	0.21
Holbrook	2%	786,065	2.87
Huachuca City	1%	27,307	0.10
Jerome	2%	25,967	0.09
Kearny	1%	75,211	0.27
Kingman	2%	1,522,181	5.55
Marana	2%	64,114	0.23
Miami	1%	73,806	0.27
Oro Valley	2%	38,247	0.14
Page	1%	422,079	1.54
Paradise Valley	1%	523,953	1.91
Parker	2%	444,614	1.62
Payson	2%	733,732	2.68
Pima*	1%	10,922	0.04
Prescott Valley	1%	154,300	0.56
Safford	1%	604,860	2.21
St. Johns	1%	114,285	0.42
San Luis	1%	148,228	0.54
Show Low	1%	482,746	1.76
Sierra Vista	1%	1,070,623	3.91
Snowflake	1%	97,870	0.36
Somerton	1%	46,046	0.17
South Tucson	2%	711,864	2.60
Springerville	2%	320,749	1.17
Surprise	1%	24,152	0.09
Taylor*	1%	16,539	0.06
Thatcher	1%	158,413	0.58
Tolleson	1%	93,255	0.34
Tombstone	2%	106,826	0.39
Wellton	2%	80,797	0.29
Wickenburg	1%	328,744	1.20
Willcox	2%	397,598	1.45
Williams	2%	372,503	1.36
Winslow	1%	413,969	1.51
Youngtown	1%	156,502	0.57
Yuma	1%	3,106,670	11.33
Total		$27,408,078	100.00%

* Entered program in 1980-81

All revenues collected under the Municipal Sales Tax Collections Program are deposited into the Excise and Privilege Tax Accounting Fund #39-179-002-40. The revenues are then distributed weekly to the municipalities for which they were collected. Chart 9 and Table 15 show the eight year trend in program participation by Arizona municipalities.

CHART 8

Municipal Sales Tax Collections Program

Program Collections

1974-75 / 1980-81

(In Millions)

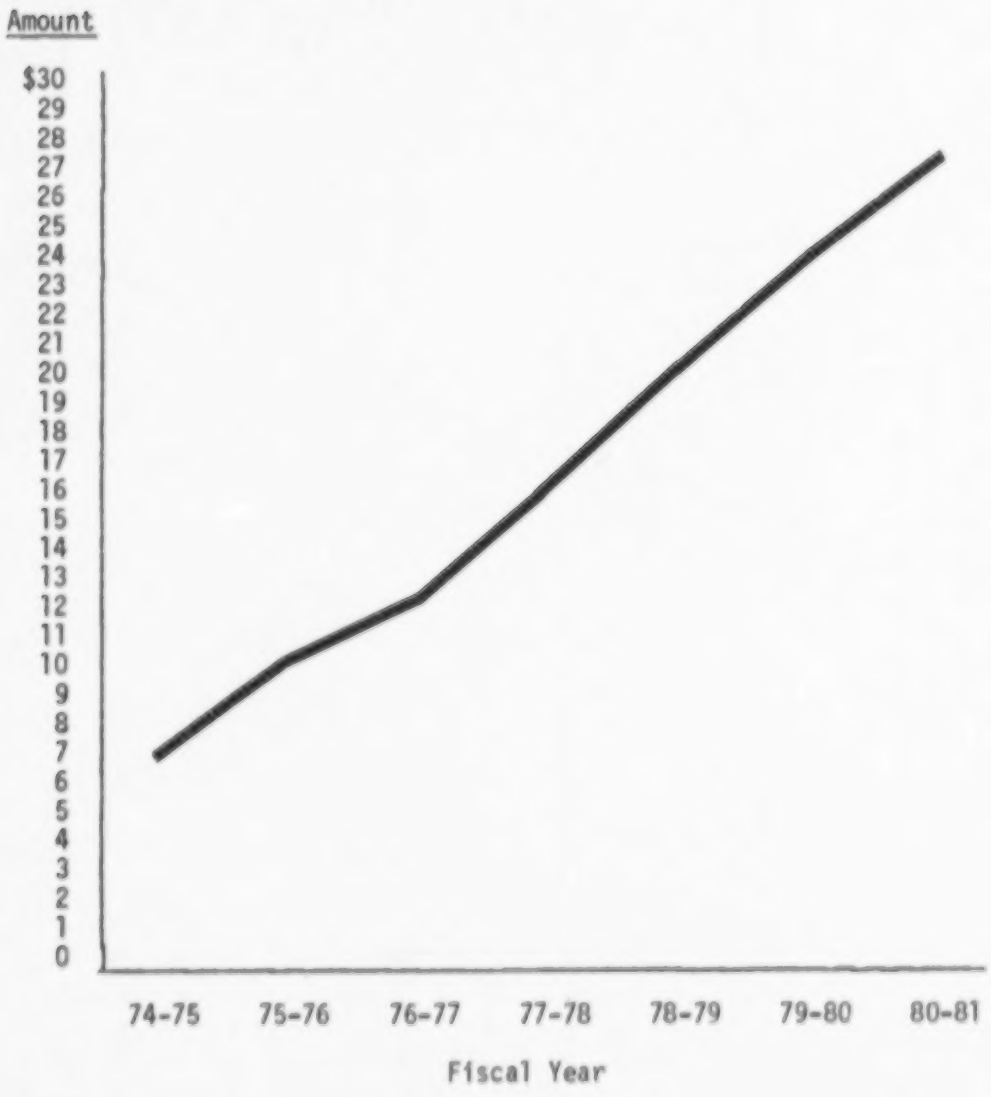


CHART 9

Municipal Sales Tax Collection Program

Number of Cities Participating

1974-75 / 1980-81

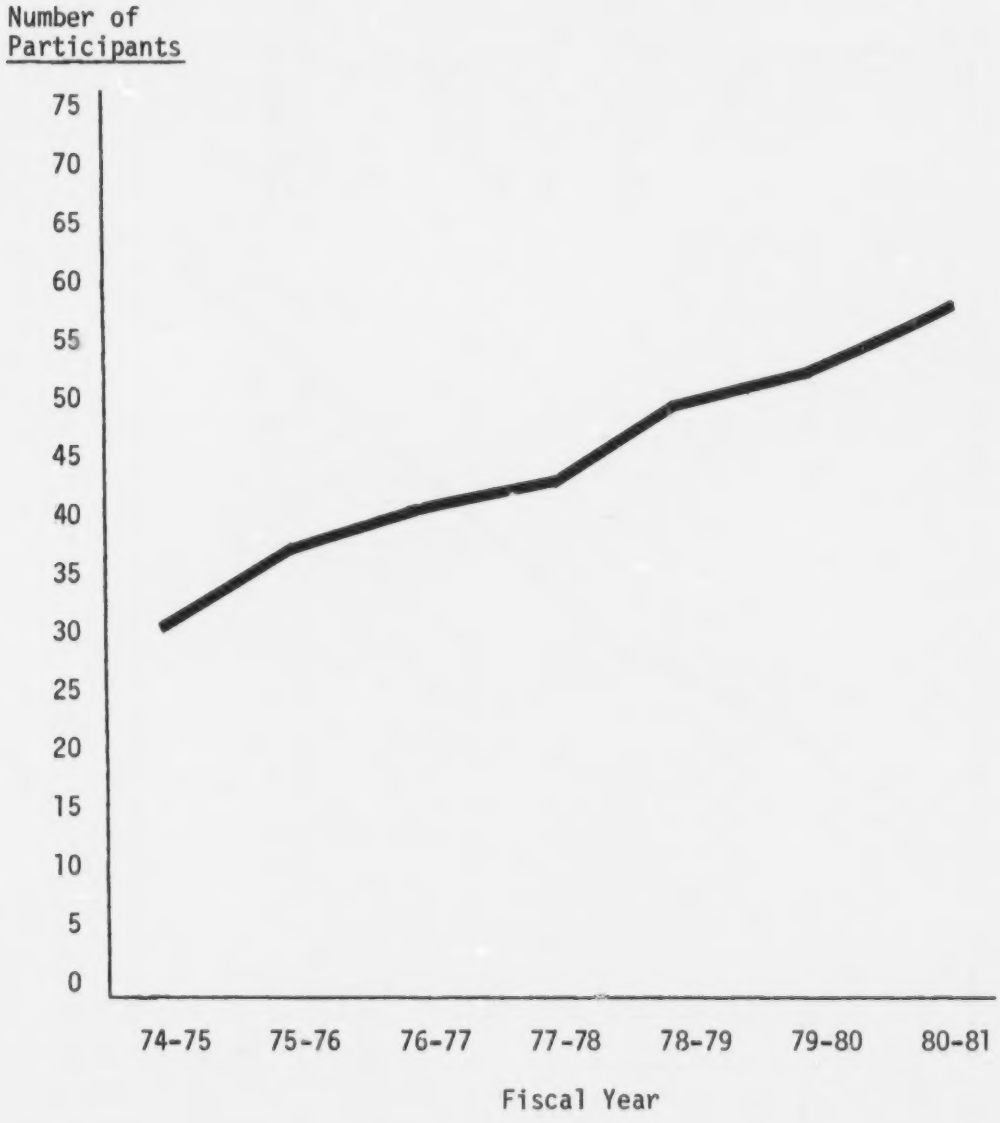


TABLE 15

Municipal Sales Tax Collection Program

Municipalities Entering Program

1973-74 / 1980-81

Fiscal Year	Municipalities Entering	Cumulative Total	Percent of Increase
1973-74	21	21	-
1974-75	10	31	47.62%
1975-76	6	37	19.35
1976-77	3	40	8.11
1977-78	3	43	7.50
1978-79	7	50	16.28
1979-80	2	52	4.00
1980-81	5	57	9.62
Total	57	57	

TAXPAYER SERVICES SECTION

This section is composed of three units: Correspondence Services, Telephone Services, and Walk-in Services.

Mission

The section was created in 1981 to help taxpayers by answering questions and resolving problems in a central and convenient location as opposed to dispersed services.

Major Accomplishments

In the four months this section has been operating, a backlog of 15,000 pieces of income tax correspondence has been reduced to 6,500. All telephone inquiries are now matched with existing correspondence to eliminate any duplication of effort. Taxpayers who choose to visit the department are assigned a taxpayer services representative for personal attention.

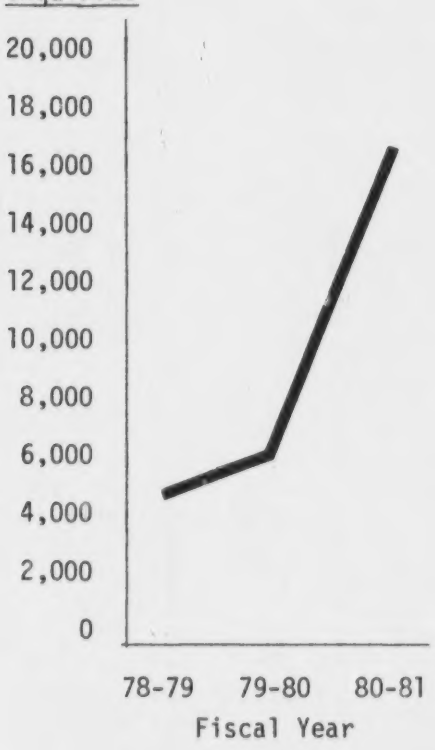
Additional services provided by this section are taxpayer education projects designed to inform the public of statutory responsibilities, tax benefits and procedures for insuring voluntary compliance. The department participates in Small Business Administration monthly seminars conducted to familiarize the taxpayer with tax requirements and the agencies involved. During the reporting year, nine seminars were conducted with approximately 150 people at each one. Six seminars were conducted in the Phoenix metropolitan area; the rest were in Flagstaff, Kingman and Yuma. By disseminating tax-related information directly to the public through these projects, taxpayer inquiries should be eventually reduced, conserving both taxpayer time and state resources. Chart 10 and Table 6 highlight the growing number of correspondence inquiries by taxpayers. A toll free WATS line is available for taxpayers across the state on a year-round basis

for those wishing information by phone.

CHART 10

Correspondence Inquiries

1978-79 / 1980-81



Planned Activities

During fiscal year 1981-82, brochures will be published explaining several special areas of taxation including property tax credits, renter's credits and compliance requirements for contractors sales, retail sales and corporation income taxes.

Taxpayer information booths will be staffed at major public events such as the state fair.

TABLE 16

Correspondence Inquiries

1978-79 / 1980-81

Fiscal Year	Amount	Percent of Change
1978-79	4,812	-
1979-80	6,112	27.02%
1980-81	16,838	175.49%

LICENSING AND REGISTRATION SECTION

This section accomplished its mission through four units: New Licenses; Withholding Licenses; License Renewals; and Bingo Licensing and Operations Enforcement.

Mission

This section licenses and registers businesses operating in the state for transaction privilege (sales) tax, use tax, wholesale tobacco tax, withholding tax and Bingo.

Major Accomplishments

The sales tax license renewal program was begun in August 1980. Under the program, sales tax licenses expire and must be renewed every five years. This periodic renewal provides the department with updated taxpayer information including ownership and address changes, and with an improved compliance to deny a license when the taxpayer's account is in arrears.

Another major accomplishment was the implementation of a combined registration form for the Unemployment Insurance Administration of the Department of Economic Security and the withholding tax system of the Department of Revenue. Taxpayers

responsible for both taxes may now register at a single location and use one form.

Bingo licensing and enforcement have recently been added to this section. All Bingo applications and compliance investigations are processed here. Informal hearings are held when requested by the taxpayer. The trend in the number of licenses and registrations issued is portrayed in Chart 11 and Table 17.

Planned Activities

During fiscal year 1981-82, a combined business license applications will be developed to provide for the common licensing of Unemployment Insurance, Withholding, Sales, Use and Luxury taxpayers. Also scheduled is the evaluation of combining the Withholding Registration Unit with the new License Unit.

CHART 11

Total Licenses and Registrations Issued

1978-79 / 1980-81

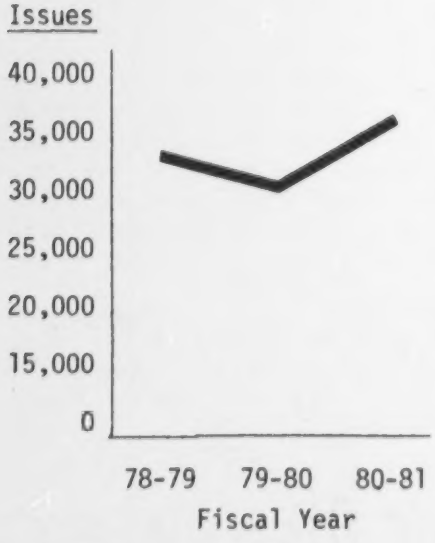


TABLE 17

Total Licenses and Registrations Issued

1978-79 / 1980-81

Fiscal Year	Total Licenses and Registration	Percent of Change
1978-79	33,561	-
1979-80	31,221	(6.97)%
1980-81	36,108	15.65%

COLLECTIONS SECTION

This section accomplishes its objectives through three units: Phone Collections, Field Collections, and Administrative Services.

Mission

The Collections Section collects income, withholding, sales and use taxes owed by taxpayers due to failure to file a tax return or to remit correct payment.

Major Accomplishments

This was the first year during which telephones were intensively used to pursue all types of delinquent tax collections. Results were favorable. Actual telephone collections were $2,170,858. The unit started operations in September with 13 telephone collectors. Difficult to collect accounts were referred to the Special Collections Unit of this section which collected $1,140,000 in hard-core collections through such action as seizure and sales of assets.

The total collections for this section are shown in Chart 12 and Table 18.

CHART 12

Total Delinquent Collections

1978-79 / 1980-81

(In Millions)

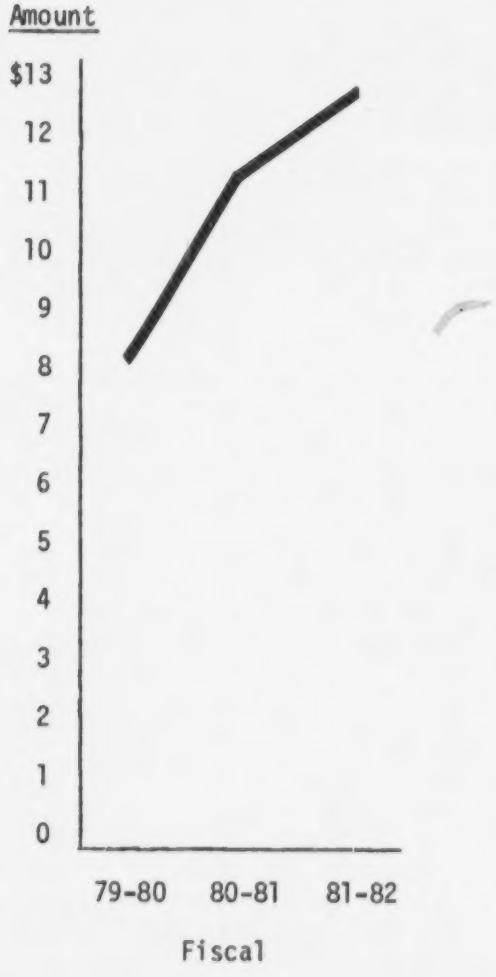


TABLE 18

Total Delinquent Collections

1979-80 / 1981-82e

Fiscal Year	Amount	Percent of Change
1979-80	$ 8,376,000	-
1980-81	11,354,858	35.56%
1981-82e	12,700,000	11.85

e = estimated

Planned Activities

Fiscal year 1981-82 will begin an era of automation and statistical refinement in Arizona revenue collections. For example, the automated generation of delinquency notices after 25 and 55 days on non-payment will be evaluated. All accounts will be stratified by amount of tax due before referral to field collections allowing more selectivity in working on accounts.

AUDITING SECTION

This section contains three units: Sales and Use Tax Auditing, Income Tax Auditing, and Administrative Services.

Mission

This section achieves compliance with statutes by auditing income, withholding, sales and use tax returns and supporting documents, and obtains compliance from taxpayers not reporting their taxable transactions.

Major Accomplishments

Sales and use tax audits were conducted in every municipality within the state. One income tax audit trip that received substantial publicity in Mohave County resulted in assessments of approximately $1,200,000.

In May 1981, the Sales and the Use Tax Audit Section and Income and Withholding Tax Audit Sections were combined into a single audit section. By reorganizing along functional lines and cross-training auditors in the different types of taxes, economies are expected to occur for taxpayers and tax practitioners and in the use of state resources. Table 19 and Chart 13 identify total audit assessment for sales, use, withholding and income taxes for 1978-79 to 1981-82.

TABLE 19

Total Audit Assessments

Sales, Use, Withholding, Personal Income, Corporate Income Taxes

1978-79 / 1981-82e

Fiscal Year	Amount	Percent of Change
1978-79	$21,332,231	-
1979-80	28,787,732	34.95%
1980-81	34,472,000	19.74%
1981-82e	37,500,000	8.79%
Total Percent of Change		75.79%

e = estimated

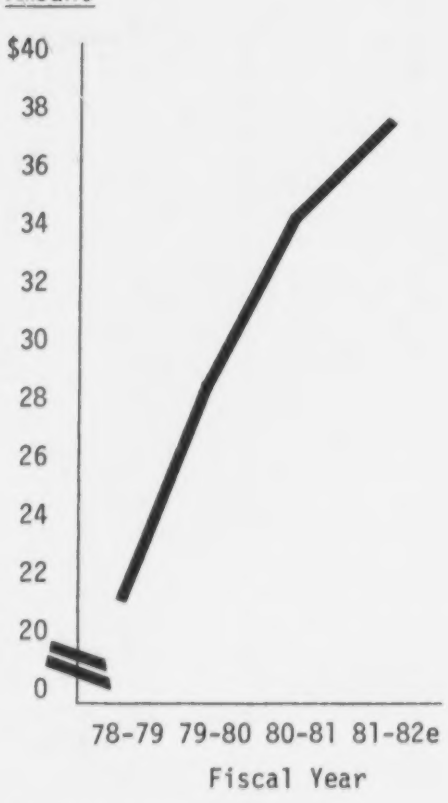
CHART 13

Total Audit Assessments

Sales, Use, Withholding, Personal Income and Corporate Income Taxes

1978-79 / 1981-82e

(In Millions)



Planned Activities

During 1981-82, substantital progress is expected to be made in the reorganization of this section. Training coordinators have been selected and a comprehensive training program for all Audit Section personnel will be designed and initiated. New methods will be implemented to more effectively audit withholding returns and to select sales tax accounts for audit.

LUXURY TAX SECTION

Mission

This section examines luxury tax returns, financial books and associated records of licensed wholesalers of alcoholic beverages and distributors of tobacco products. Additionally, it investigates and seizes contraband alcoholic beverages and tobacco products that are illegally distributed through commercial channels.

Major Accomplishments

The department has entered into an assistance agreement with the Department of Public Safety to assist in the investigation and confiscation of contraband alcohol and tobacco products. During 1980-81 the combined efforts of the two departments resulted in the seizure of contraband cigarettes and the issuance of six criminal complaints to which the parties all pleaded guilty. Consent agreements were also obtained with four licensed retailers to refrain from purchasing untaxed alcoholic beverages. The department also entered into an assistance agreement with the U.S. Bureau of Alcohol, Tobacco and Firearms for luxury tax enforcement.

Another significant accomplishment was the removal of the revenue collection and distribution function from the Luxury Tax Section. This separation allows luxury tax auditors to focus their efforts on compliance. The retail licensing statute was replaced by a new statute which requires only distributors who acquire untaxed cigarettes of tobacco products to obtain a license for stamp purchases. This change eliminated a licensing requirement for approximately 5,000 retailers in Arizona. Chart 14 and Table 20 provide assessment figures for luxury tax in fiscal year 1980-81.

CHART 14

Luxury Tax Assessments

1978-79 / 1980-81

(In Thousands)

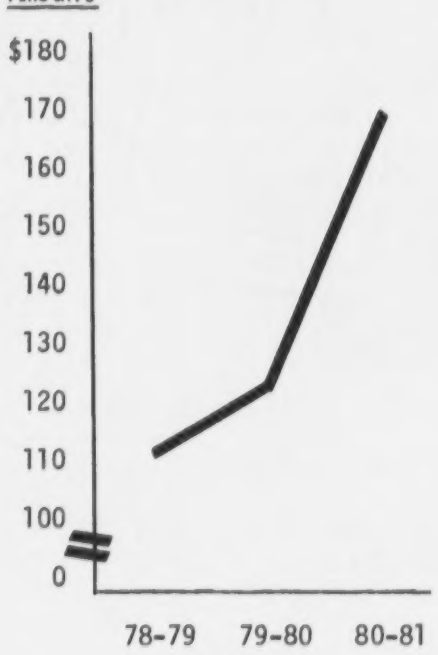


TABLE 20

Luxury Tax Assessments

1978-79 / 1980-81

Fiscal Year	Amount	Percent of Change
1978-79	$112,123	-
1979-80	122,600	9.34%
1980-81	169,200	38.01%

Planned Activities

During the coming fiscal year, the focus of luxury tax auditing efforts will shift from office audits to field audits and this section will coordinate audits with the Sales/Use and Income Auditing Section.

ESTATE TAX SECTION

This section audits and collects state revenue from all taxable estates, disposes of all unclaimed property within the state and disposes of property of decedents who leave neither a will nor known heirs.

Major Accomplishments

During the reporting year, this section issued 499 refunds, approved 8,630 bank accounts and safe deposit boxes for release, answered 5,000 telephone and mail inquiries and issued 9,399 name and address notices for legal advertising and letters to owners of unclaimed property.

This section also collected and distributed the 1980-81 revenues identified in Chart 15 and Tables 21 and 22.

Planned Activities

During fiscal year 1981-82, the Fiduciary Unit and Estate Tax Unit will be consolidated.

TABLE 21

Gross and Net Estate Tax Collections

1980-1981

Tax Component	Gross	Net*	Net as Percent of Gross	Net as Percent of Net Total
Estate	$10,139,409	$ 9,900,341	97.64%	93.81%
Unclaimed Property	1,053,513	567,651	53.88	5.38
Escheated Estates and Unclaimed Dividends	74,252	55,366	74.56	.52
Unclaimed Shares and Dividends	30,722	30,722	100.00	.29
Total	$11,297,896	$10,554,080	93.42%	100.00%

* Net = Gross less claims paid.

TABLE 22

Total Estate Tax Distributions

1980-1981

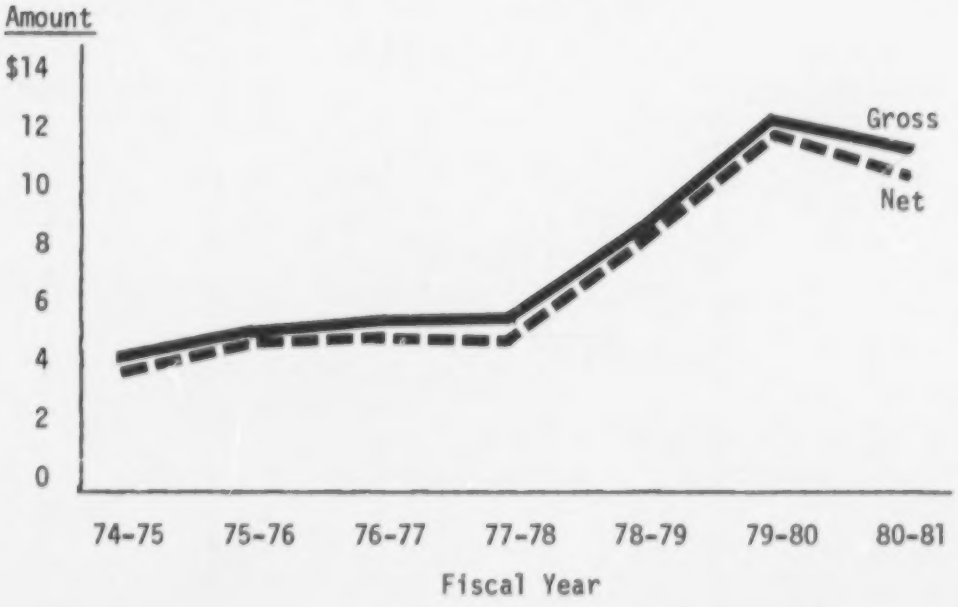
Fund	Amount	Percent of Total
General Revenue Fund 39-179-000-00	$10,467,992	92.65%
Escheated Estates Clearing Fund 39-179-909-40	18,886	0.17
Estate Tax Clearing Fund 39-179-910-40	239,068	2.12
Unclaimed Property Trust Clearing Fund 39-179-911-40	485,862	4.30
Permanent School Fund 41-000-909-99	86,088	0.76
Total Fund Distributions	$11,297,896	100.00%

CHART 15

Gross and Net Estate Tax Collected

1974-75 / 1980-81

(In Millions)



TAX COMPLIANCE SECTION

The mission of this section is to secure compliance with state taxation laws through criminal prosecution of non-complying taxpayers where criminal intent is found.

Major Accomplishments

While this section has been operating only a few months, the administrator has contributed to the apprehension, by federal postal inspectors, of the principals in the largest multi-state fraudulent income tax refund scheme ever uncovered. Through a cooperative effort with Montana and California, this section determined the identity of the scheme principals and provided information on the exact location of the suspects. A grand jury indictment has been handed down against one of the suspects who has subsequently been arrested and is awaiting trial.

Planned Activities

Activities for the 1981-82 fiscal year include submitting complete tax fraud cases to the state Attorney General's office to prosecute. This will be the first instance of a state agency preparing a prosecution-ready case without the assistance of other investigators or regulatory agencies, a significant step forward for the Department of Revenue.

TUCSON OFFICE

Mission

The Tucson office conducts agency administration for the department in the state's second largest metropolitan area. Department services offered through this office include all in-house taxpayer services, licensing, auditing, collections.

Major Accomplishments

All activities were reported as components of this division by sections.

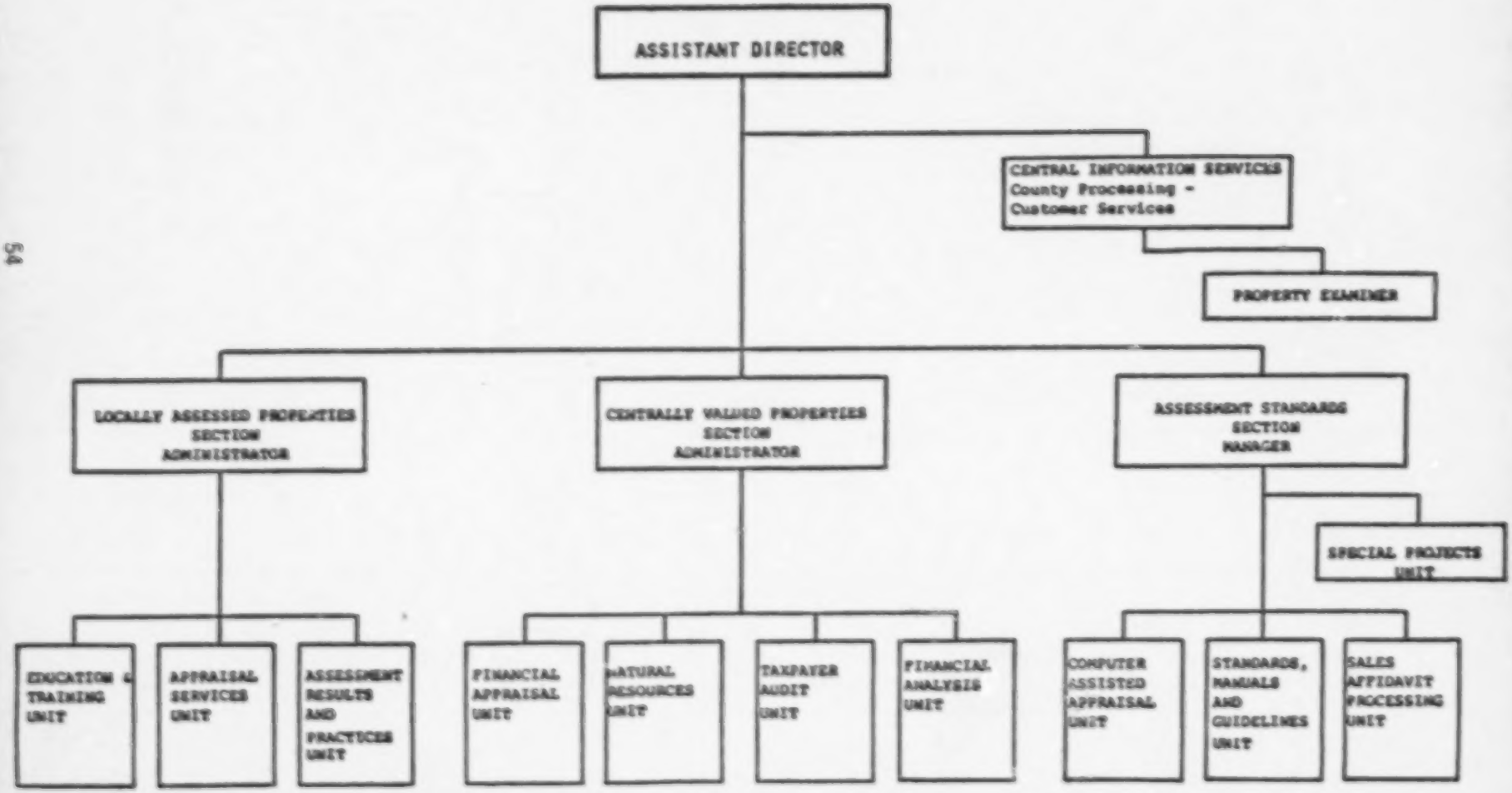
Planned Activities

Objectives for the new fiscal year include 150 corporation income audits, 420 sales tax audits, and delinquent collections of $2,500,000.

PROPERTY AND SPECIAL TAXES

FIGURE 5

ARIZONA DEPARTMENT OF REVENUE
DIVISION OF PROPERTY AND SPECIAL TAXES



Mission

The mission of the Property and Special Taxes Division is to administer the State Property Tax Assessment System in cooperation with the fourteen county assessors' offices and to assess, collect and distribute taxes on airline flight property and private rail cars. The division accomplishes its objectives through four sections: Assessment Standards, Centrally Valued Properties, Central Information Services and Locally Assessed Properties.

Major Accomplishments

During fiscal year 1980-81 the department published a study of the capitalization rates used to appraise centrally valued properties. The department relies heavily on the income approach in valuing these properties, therefore it is important to document the procedures used in determining the capitalization rate, which is a key factor in the income approach. The department also completed two major mine audits which resulted in additional property taxes of nearly $300,000.

Charts 16 through 20 and Tables 23 through 27 portray the results of the department's efforts in property valuation, property assessment, property tax rate calculation and property tax levy determination.

Beginning with the 1980 tax year, a new property tax system was enacted by the Legislature. This system creates two distinct subsystems: a primary system used for levying property taxes upon a limited property valuation base to fund government operations, and a secondary system used for the levy of property taxes on a full cash value base for special taxing districts and for payment of bonded indebtedness. The trend lines of Chart 18 reflects the values of these two subsystems, beginning with 1980 data.

CHART 16

Full Cash Value Trend

1974-1981

(In Billions)

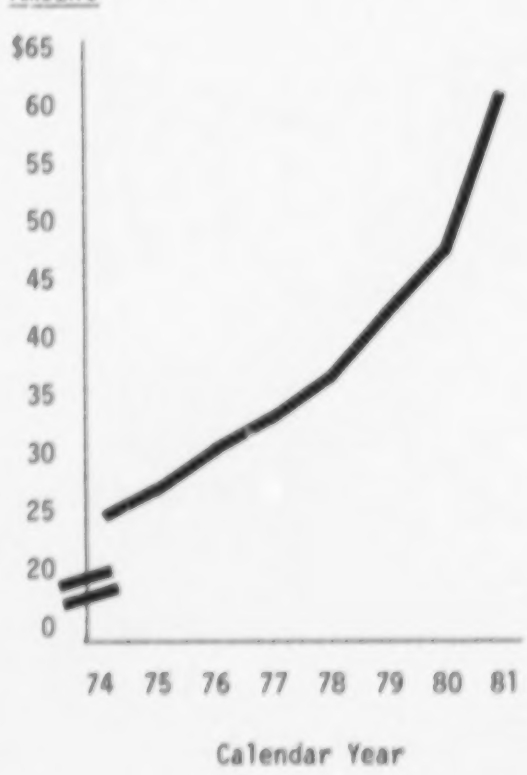


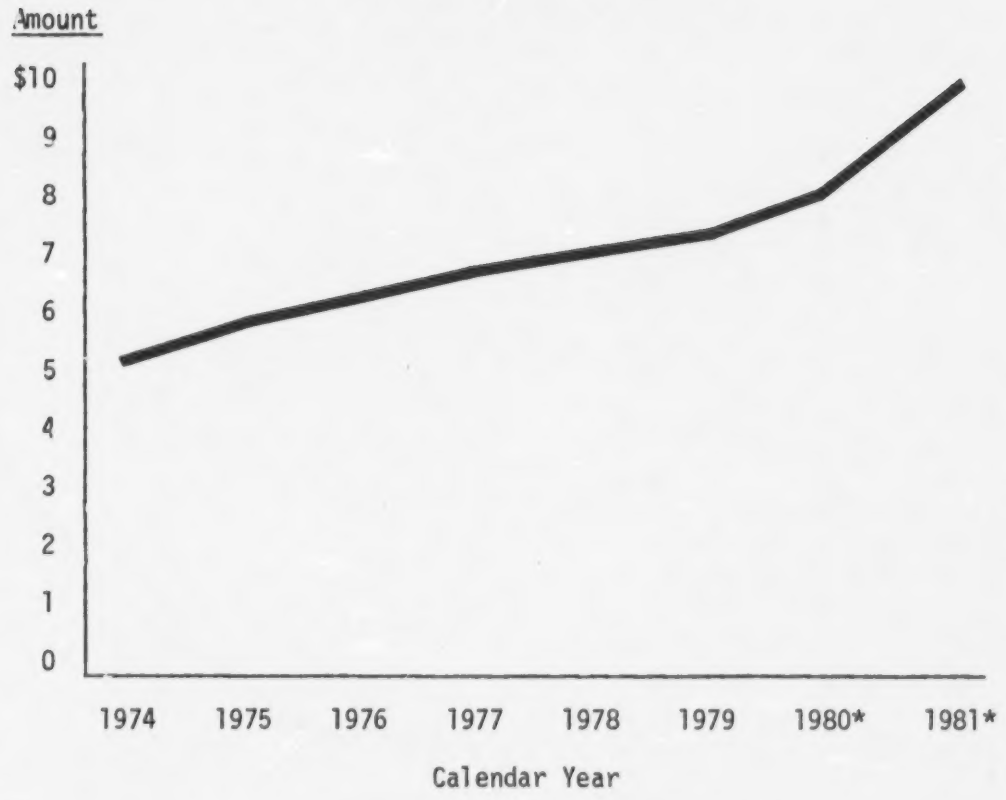
CHART 17

Net Assessed Valuation Trend

All Political Subdivisions

1974-1981

(In Billions)



* Figures represent secondary net assessed values.

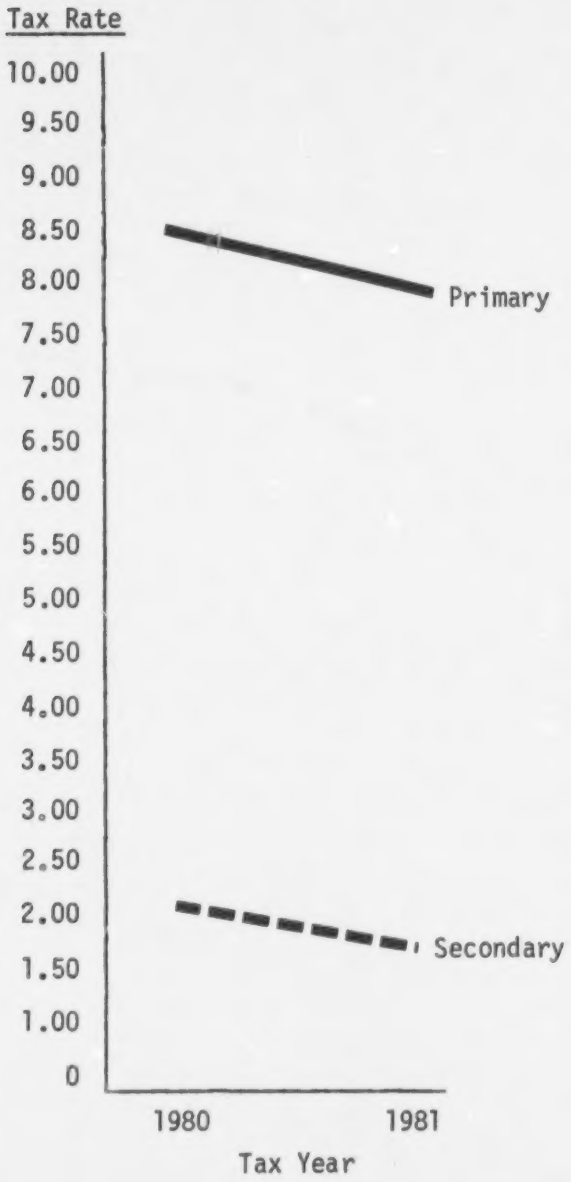
CHART 18

Total Average Property Tax Rate Trend*

All Political Subdivisions

1980-1981

(Per $100 of Assessed Valuation)



* Beginning with the 1980 tax year, the method of property tax rate calculation was significantly changed. This change prevents comparisons with pre-1980 property tax rates.

CHART 19

Total Average Property Tax Levy Trend

All Political Subdivisions

1980-1981

(In Millions)

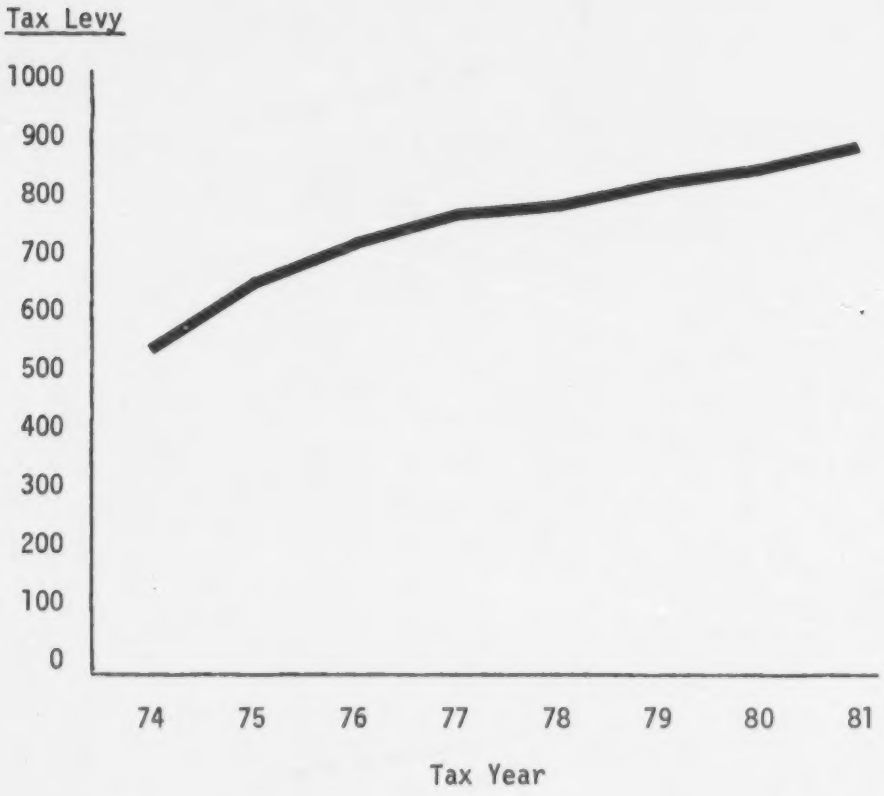


TABLE 23

Full and Limited Cash Values

By County

1981

County	Total Full Cash Value	Total Limited Cash Value
Apache	$ 946,764,222	$ 931,116,531
Cochise	1,245,487,590	1,179,053,901
Coconino	1,707,512,437	1,606,381,948
Gila	803,536,742	760,141,954
Graham	325,592,706	312,741,623
Greenlee	370,087,734	359,132,953
Maricopa	36,437,416,198	29,806,511,998
Mohave	1,469,693,558	1,349,072,485
Navajo	1,479,293,738	1,425,940,348
Pima	10,477,145,095	9,372,349,963
Pinal	1,610,088,969	1,504,242,283
Santa Cruz	422,989,562	338,498,276
Yavapai	1,869,912,474	1,603,350,965
Yuma	1,883,975,828	1,804,510,496
Totals	$61,049,496,853	$52,353,045,724

TABLE 24

Primary and Secondary Net Assessed Valuation

By County

1981

County	Primary Assessed Valuation	Secondary Assessed Valuation
Apache	$ 144,131,543	$ 146,170,539
Cochise	247,969,416	257,104,409
Coconino	359,450,414	375,218,680
Gila	175,002,994	179,639,411
Graham	52,445,796	54,336,743
Greenlee	145,258,882	146,902,420
Maricopa	4,537,808,362	5,331,460,212
Mohave	248,340,566	263,432,034
Navajo	436,445,176	443,379,272
Pima	1,620,475,484	1,766,388,868
Pinal	313,754,380	326,167,476
Santa Cruz	57,994,952	70,786,634
Yavapai	298,505,797	336,977,449
Yuma	241,304,720	248,846,494
Totals	$8,878,868,482	$9,946,810,641

TABLE 25

Average Property Tax Rates

By Political Subdivision Type

1981

(Per $100 of Assessed Valuation

Source	Assessed Valuation	
	Primary	Secondary
School Districts	3.62	.83
Counties	2.15	.19
State	.95	-
Cities	.38	.30
Community Colleges	.77	.03
Special Districts	-	.38
Combined Rates	7.87	1.73

TABLE 26

Total Average Property Tax Levy

Primary and Secondary Values

By Political Subdivision Type

1981

Political Subdivision	Property Tax Levy		Total	Percent of Grand Total
	Primary	Secondary		
School Districts	$321,173,137	$ 82,716,159	$403,889,296	46.37%
Counties	191,016,012	19,331,925	210,347,937	24.16
State	84,349,439	-	84,349,439	9.69
Municipalities	33,611,929	29,431,760	63,043,689	7.24
Community Colleges	68,340,427	3,180,180	71,520,607	8.21
Special Districts	-	37,688,975	37,688,975	4.22
Totals	$698,490,944	$172,348,999	$870,839,943	100.00%

ASSESSMENT STANDARDS

Mission

The mission of this section is to develop the standards and procedures for the appraisal and assessment of property. This section produces and maintains computer-assisted appraisal systems and a sales ratio system used for evaluation of property appraisals. It also processes real property sales affidavits.

Major Accomplishments

During fiscal year 1980-81, this section continued implementation of the property tax reforms enacted by the Legislature. Workshops were presented to county assessors and their staffs on improved techniques for property assessments and on performance measures to evaluate assessment competency.

The "base home approach" was implemented this year in the appraisal of residential property. This approach selects a representative home in a market area to assign a base value for all homes in the market area. This base value is then adjusted for individual residence characteristics to produce individual residential appraisals. This approach to residential appraisal greatly reduces the amount of time required to appraise individual homes and provides for greater uniformity of appraisal.

When the ownership of real property changes, an affidavit of real property value must be processed identifying, among other things, the parcel number and sales price. These affidavits contribute to the data base from which assessment standards are derived. Table 28 and Chart 21 identify the number of affidavits processed during the reporting year and the recent trend.

Planned Activities

During the coming fiscal year, this section will update the Land Appraisal Manual and publish a new Assessment Properties Manual. Uniform standards will be developed for mapping boundary lines and for parcel identification.

CHART 20

Relative Property Assessment

Responsibility

By Political Subdivision Type

1976-1981

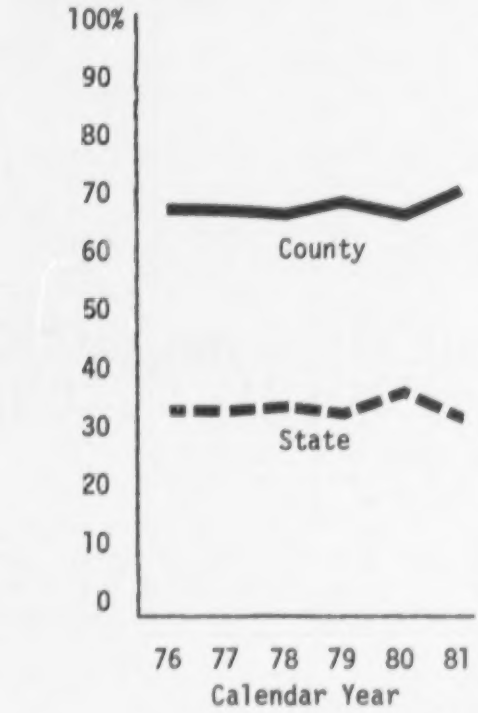


TABLE 27

Actual Property Assessment Responsibility

By Political Subdivision

1981

	Primary Assessment Responsibility	Percent of Total	Secondary Assessment Responsibility	Percent of Total
County	$5,888,323,831	66.27%	$6,942,784,700	69.75%
State	2,996,407,764	33.73	3,010,863,117	30.25
Totals	$8,884,731,595	100.00%	$9,953,647,817	100.00%

CENTRALLY VALUED PROPERTIES

Mission

The mission of this section is to determine the value of certain properties, as designated by the Legislature, for property tax purposes and to allocate those values to the taxing jurisdications.

CHART 21

Affidavits of Real Property Value Processed

1978-79 / 1981-82e

(In Thousands)

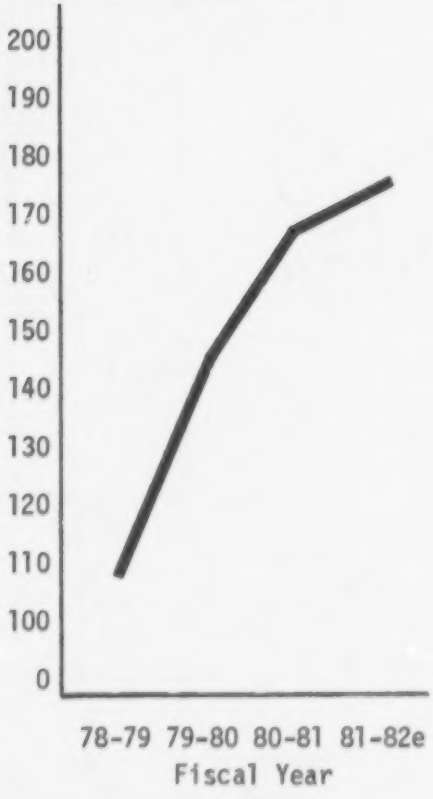


TABLE 28

Affidavits of Real Property Value Processed

1978-79 / 1981-82e

Fiscal Year	Number	Percent of Change
1978-79	109,314	-
1979-80	145,728	33.31%
1980-81	167,371	14.85%
1981-82e	175,000	4.55%
Total Percent Change		60.08%

These properties have been assigned to the department for valuation because they are complex and tend to spread across more than one county. The properties valued by this section are railroads, pipelines, gas and electric utilities, water utilities, tlephone companies, microwave systems and mines. In addition, airline flight property and private rail car property are valued and assessed directly by the section. The taxes on these two types of properties are also collected and distributed directly, as identified by Charts 22 and 23, and Table 29.

Major Accomplishments

During the reporting year, $8,292,999,000 worth of property was valued including $1,562,334,000 of non-taxable Salt River Project property upon which SRP makes a voluntary contribution based on valuation. Two hundred and twenty private rail car companies were

CHART 22

Flight Property Tax Collections

1974-75 / 1980-81

(In Thousands)

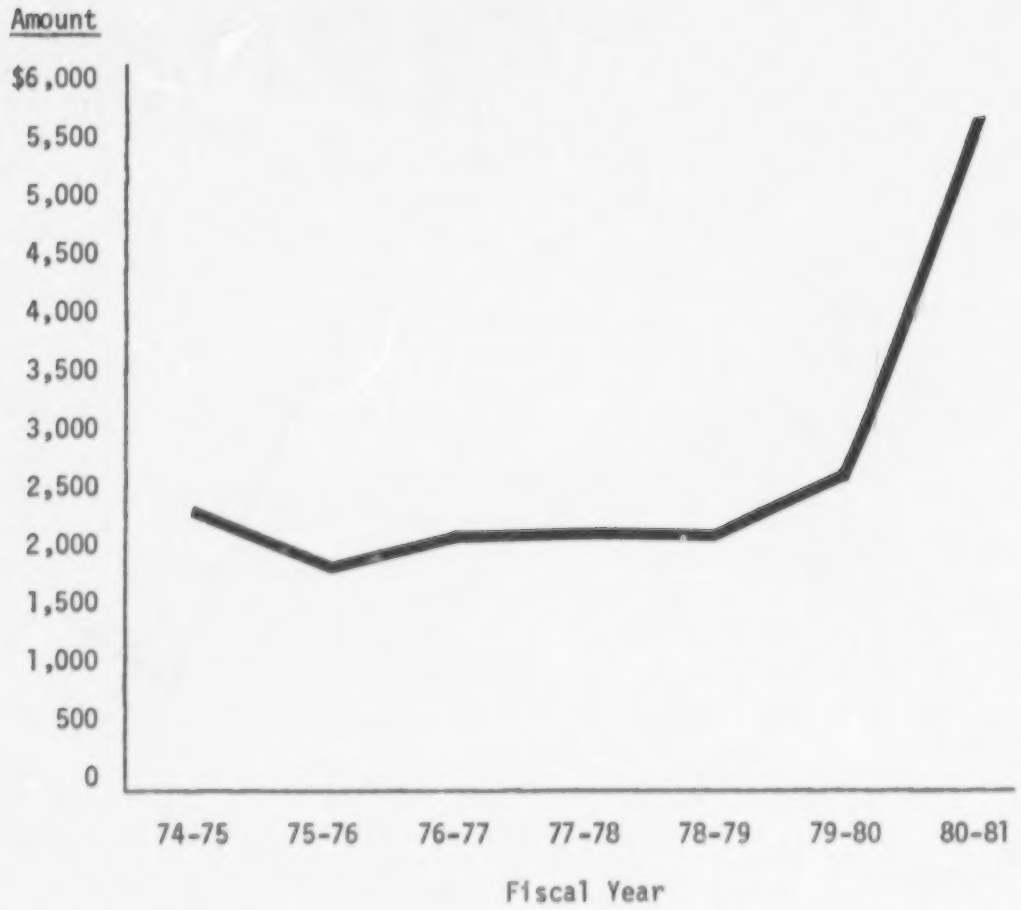
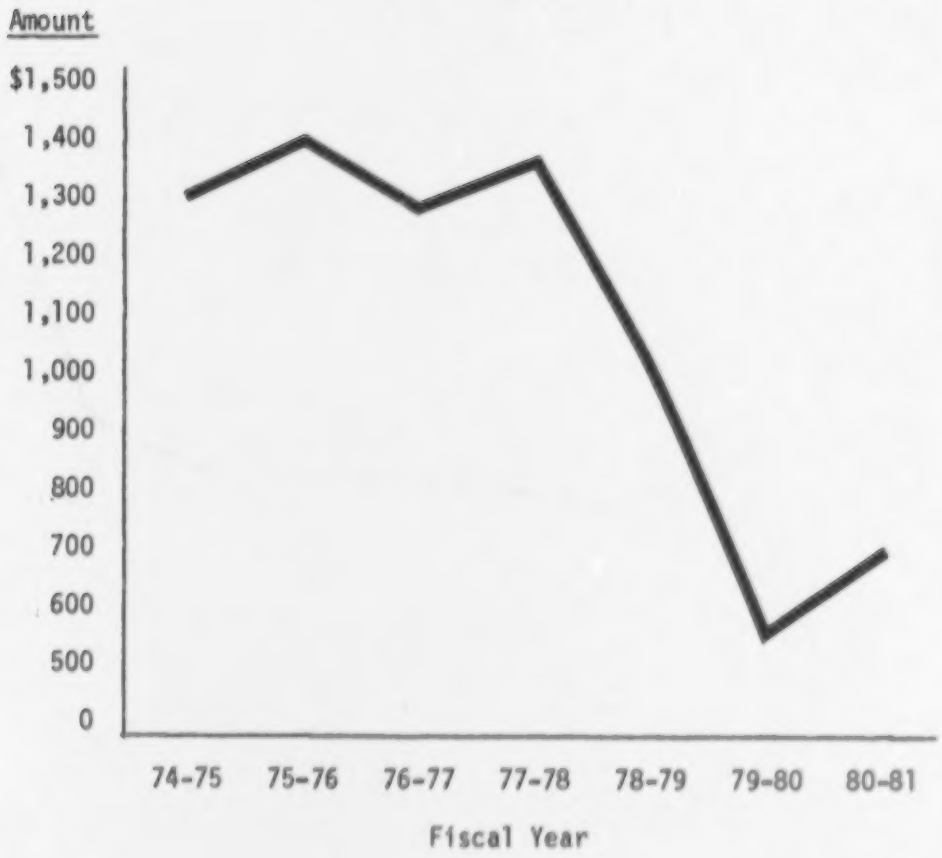


CHART 23

Private Rail Car Tax Collections

1974-75 / 1980-81

(In Thousands)



valued at a total of $'9,000,000 in full cash value. Total airline flight property was appraised at full cash value of $69,083,000.

Planned Activities

All centrally valued property will be assessed as of January 1, 1982. A major effort is also planned to improve the means used for arriving at final values. Standard guidelines and regulations will be adopted covering the methodology used in the valuation of all types of centrally valued properties.

TABLE 29

Department of Revenue
Property Tax Collections

1980-1981

Flight Property Tax	$5,585,255
Private Rail Car Tax	692,366
Total	$6,277,621

LOCALLY ASSESSED PROPERTIES SECTION

This section assists the county assessor in valuing locally assessed property by insuring equity and uniformity of valuation. This is accomplished through a periodic audit of each county assessor's office, in addition to assisting county assessors with appraisal problems, reviewing changes made by the assessors and presenting appraisal courses to all personnel performing appraisal functions for ad valorem tax purposes in the state.

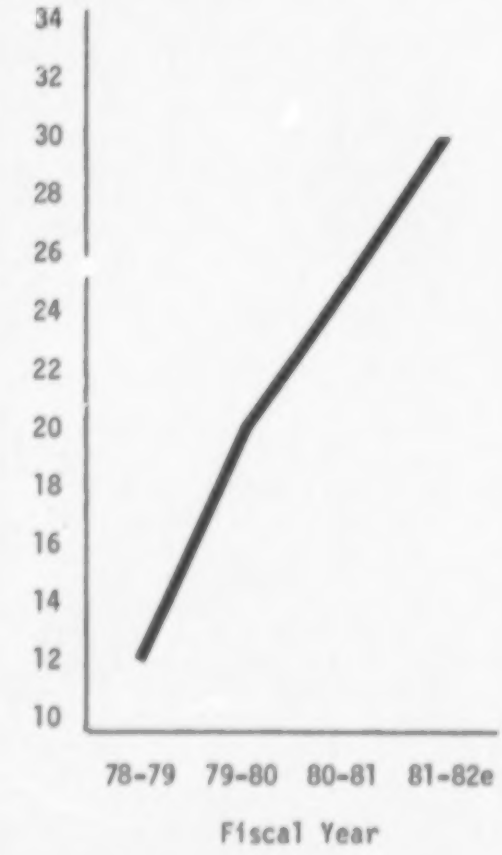
Major Accomplishments

During 1980-81, a complete reappraisal was completed of all locally assessed property in Santa Cruz County. An internal audit of the Maricopa County Assessor's Office was performed and a follow-up audit was completed in two other counties. Twenty-five appraisal training courses were presented to 305 state and county appraisers. These courses teach the county assessor's staff basic uniform appraisal methods and techniques. Chart 24 and Table 30 demonstrate the increasing demand for these courses as appraisal techniques increase in sophistication.

CHART 24

Locally Assessed Properties
Education and Training Courses

1978-79 / 1981-82e



e = estimated

TABLE 30

Locally Assessed Properties

Education and Training Courses

1978-79 / 1981-82e

Fiscal Year	Courses	Percent Change
1978-79	12	-
1979-80	20	66.66%
1980-81	25	25.00%
1981-82e	30	20.00%

Planned Activities

During fiscal year 1981, the appraisal training program will be continued, offering at least 10 basic appraisal courses and six intermediate appraisal courses throughout the state. Additional training courses will be developed for intermediate appraiser education, training and certification, mapping and parceling, and personal property auditing. Two internal audits of county assessors' offices will be conducted along with two followup audits of previously audited offices.

CENTRAL INFORMATION SERVICES

Central Information Services (CIE) coordinates data processing services in direct support of the Property and Special Taxes Division. This includes services necessary for the creation, maintenance, and final production of property assessment and tax rolls for nine Arizona counties that have contracted with the Department for the provision of these services. Property data files are received from the remaining five counties to provide for the development of a statewide property information data base.

Additional responsibilities include effecting changes in computer processes required by legislative actions and division directives affecting property assessment and tax calculations, publishing the annual state and county Abstract of the Assessment Roll and timely response to all requests for valuation information. CIE also maintains state library of all taxing jurisdictions, tax area codes, and ad valorem and special district tax rates.

Major Accomplishments

During the past year, the major accomplishment was the successful coordination and implementation of extensive property tax system reforms. This major effort resulted in the timely and accurate production of assessment and tax rolls for the 1980 tax year and the continuance of on-time and accurate reporting into the 1981 tax year.

Planned Activities

During the next fiscal year, a 20 percent increase in the preparation of data processing specifications is expected. Also projected is a 12.5 percent increase in scheduled computer tasks.

LEGISLATION

BEST AVAILABLE COPY

REVIEW OF 1981 LEGISLATION

Chapter 47 S.B. 1110

Clarifies the requirement that Arizona taxpayers must file state income tax returns even if no federal return is required. As the Arizona income tax begins with a figure from the federal return, some taxpayers have not filed a state return if that figure was zero. This measure ensures the payment on individual and corporate income that is taxable in the state, whether or not it is taxed federally. Amended ARS 43-301, as amended by Laws 1979, Chapter 145, Section 3, Amended ARS 43-307. Effective retroactively to tax years beginning from and after December 31, 1980.

Chapter 68 S.B. 1066

Allows the Department of Revenue to accept voluntary liens on property as security for delinquent taxes. A third party may authorize a lien on his property to secure another's tax liability. Amended Title 42, Chapter 12, Article 1, by adding Section 42-1825. Effective date 7/24/81.

Chapter 82 S.B. 1104

Allows adjustment to the reportable income of those taxpayers who have items of income or expense that are reportable in different years on the federal return than on the state return. Since the enactment of the "piggyback income tax bill", Arizona gross income has been defined as federal adjusted gross income in the case of individuals and federal taxable income for corporations. Due to the differences in reporting requirements between the federal and state income taxes before 1979, some items of income or expense were carried forward and reportable in different years for federal or state purposes. Provides for the addback expense that were fully reportable for state purposes before 1979 but carried forward for federal purposes could be subtracted for current state income tax computation. Conversely, if the item of income or expense was fully reported for federal purposes but carried forward for state purposes, the amount of carryover would be added for state purposes. Amended ARS 43-1021, as amended by Laws 1980. Amended ARS 43-1022, 43-1121 and 43-1122. Repealed 43-1021 as amended by Laws 1980. Effective retroactively to 1/1/81.

Chapter 115 S.B. 1270

Makes it a petty offense for an owner or lessor of real property to knowingly refuse or fail to furnish a rent property tax statement when requested to a tenant thereby allowing the tenant a deduction for property taxes paid. Amended ARS 43-1060. Effective date 7/24/81.

Chapter 132 H.B. 2041

Puts Subchapter "S" corporations with a fiscal year on par with calendar year Subchapter "S" election for the tax year ending in 1979 and, therefore, receive the benefits of any net loss carryover the predecessor corporation may have established. Requires that Arizona Subchapter "S" corporations file, along with the return that is

currently required, the names and addresses of each stockholder and their share of the corporations income or loss. This information will be used as the basis for establishing the income tax liability of both resident and non-resident shareholders. Amended ARS 43-1092 and 43-1126. Effective April 14, 1981.

Chapter 297 S.B. 1064

Provides for the adoption into the Arizona Code of changes in the federal income tax code and estate tax code that were made during 1980. This change provides that items of income or individuals may exclude from gross income the first $200 of combined dividend and interest, $400 may be excluded on a joint return; retroactively granted loss carryover for real estate investment trusts that had been disbanded; waived the residency requirement for individuals living abroad who were forced to leave the foreign country because of war, civil unrest or similar conditions; liberalized deduction of non-recourse debt rules for controlled groups by waiving the 50 percent test where 50 percent of a components gross receipts are attributable to equipment leasing and other requirements are met; allows corporations operating in foreign countries to deduct pension plan contributions for employees regardless of whether the plan would be a "qualified plan" in the United States; conforms installment sale treatment to the Internal Revenue Code for sales after 10/19/80 and eliminates the 30 percent requirement that payments be spread over two or more years; direct costs of seeding and replanting timberlands may be amortized over seven years rather than capitalized; business startup costs incurred after 7/29/80 may, at the election of the taxpayer, be amortized over a period of not less than 60 months. The estate tax credit was also increased from $42,500 to $47,000.

This legislation served as a vehicle for other changes; increased the income tax set aside refund from 16 percent of receipts to an amount sufficient to meet refund needs; allows, beginning 1/1/82, employees to elect to have 15 percent of the federal income tax deducted and withheld - this is an additional election to the current 10 percent or 20 percent. These changes provide for tax years beginning after December 13, 1980, that to Arizona gross income the amount of the community income exclusion allowed by Section 66 of the Internal Revenue Code and Arizona state income tax refunds received by a taxpayer, to the extent such refund is not already included in Arizona gross income, if a tax benefit was derived by deducting this amount in a prior year; provides for the subtraction from Arizona gross income of the amount of the community income inclusion required by Section 66 of the Internal Revenue Code and subtraction of the amount withheld from foreign dividends and interest allowed as a foreign tax credit against federal income taxes by Section 901 of the Internal Revenue Code. Amended ARS Sections 42-1501, 43-104, 43-242 and 43-401; Amended ARS 42-1021 as by Laws 1980; Repealed ARS 43-1021 as amended by Laws 1980 Chapter 240, Section 21, Amended ARS Sections 43-1022, 43-1052, 43-107, and 43-1121; Amended Laws 1980, Chapter 215, Section 1.

Effective 4/30/81.

Chapter 320 H.B. 2081

Allows a subtraction from Arizona gross income the amount received by an adult foster care home provided from the county for accepting placement of up to four adults to the extent the amounts have been included in federal adjusted gross income; grants an additional person exemption to a taxpayer for each person over 65 if the taxpayer pays more than 1/4 the cost of maintaining such person in a nursing care institution, supervisory care center or foster care home if the payments exceed $800 a year, or if the taxpayer otherwise makes payments of more than $800 for medical care or home health care; creates an itemized deduction for payments made by a taxpayer on behalf of any 65-year or older person for nursing or supervisory care, adult foster care, home health care or for other medical payments. Amends ARS 43-1022, 43-1023; Amends Title 43, Chapter 10, Article 4, ARS by Section 43-1062. Effective date 7/24/81.

SALES AND USE TAXES

Chapter 50 S.B. 1148

Allows coordination of transaction privilege license taxes and use taxes and their collection between the Department of Revenue and the cities and towns. This is in addition to the uniform audit programs previously permitted by statutes. Amended ARS Section 42-1451. Effective 7/24/81

Chapter 72 S.B. 1103

Ensures that an individual with a sales tax license, who purchases an item for his own consumption be liable for the tax on the item; and transfers the liability for the use tax to the purchaser when the vendor has met statutory requirements of establishing exempt sales. Amended ARS 42-1409. Effective 10/1/81.

Chapter 86 S.B. 1325

Permits the Department of Revenue, with approval from the attorney general's office, to void small tax balances if the administration costs exceed the amount of tax due and to negotiate a penalty depending on individual circumstances. Amended ARS 42-1322. Effective 7/24/81.

Chapter 87 S.B. 1327

Modifies the definition of "sale at retail" to include the requirement that the sale be in the regular course of business, therefore excluding those sales that take place outside of the "regular course of business" such as vending machine sales in the office area of a business dealing in a service; therefore, taxing the transaction between the distributor and the vendor and paid by the distributor. Amended ARS 42-1301, as amended by Laws 1980, Chapter 240, Section 9; Repealed ARS 42-1301, as amended by Laws 1980, Second Special Session, Chapter 8, Section 73. Effective 7/24/81.

Chapter 110 S.B. 1105

Removes the requirement that a

contractor be licensed by the Registrar of Contractors in order to receive an exemption from paying the sales tax on his purchase of building materials. This prevents the double taxation of unlicensed contractors. Amended ARS 42-1321, as amended by Laws 1980, Third Special Session, Chapter 2, Section 1. Effective 7/24/81.

Chapter 111 S.B. 1106

Extends the dates for the statute of limitations on sales tax deficiencies from three years to 39 months following filing of the return or the period for which an additional amount has been determined due, whichever period expires later; increases interest from 6 percent to 12 percent on penalties on use tax delinquencies and recovery of erroneous income tax refunds; increases interest rate to 1 percent per month on delinquent rental occupancy taxes; increases interest to 12 percent of Arizona income tax credits for taxes paid to another state and refunded to an Arizona taxpayer. Amended ARS 42-1327, 42-1361, 42-1414, 42-1416, 42-1718, 43-563 and 43-1071. Effective 7/24/81.

Chapter 130 H.B. 2038

Applies sales tax to gasoline which is used off-highway. This previously escaped taxation as the Department of Transportation tax applies to all gasoline as it enters Arizona and refunds to the user the Department of Transportation tax on any gasoline used off-highway. Amended ARS 42-1321, as amended by Laws 1980, Third Special Session, Chapter 2, Section 1; Amended ARS 42-1409; Repealed ARS 42-1321, as amended by Laws 1980, Chapter 240, Section 15. Effective 7/24/81.

Chapter 190 S.B. 1326

Allows an individual engaged in the business of leasing or renting motor vehicles to deduct from his gross proceeds, for the purpose of sales tax, the following: registration fees, gross weight fees on commercial vehicles and vehicle license taxes. Amended ARS 42-1314, as amended by Laws 1980, Chapter 48, Section 1; Repealed ARS 42-1314. as amended by Laws 1980, Chapter 111, Section 1. Effective date 7/24/81.

Chapter 321 H.B. 2148

Modifies the definition of "person" or "company" subject to sales tax to include the state, counties, cities, towns, district, or other political subdivisions other than a public school district; exempts from sales tax the sale of textbooks that are required by any state university or community college by any bookstore; exempts from sales tax, sales of food by a state university on its campuses to students using validated meal tickets or to patients purchasing or consuming food at the Arizona Health Sciences Center. Amended ARS 41-1052, 42-1312 and 42-1382; Amended Title 41, ARS by adding Chapter 10; Amended ARS 42-1301, as amended by Laws 1980, Chapter 240, Section 9; Repealed ARS 42-1301, as amended by Laws 1980, Second Special Session, Chapter 8, Section 73. Effective date 7/24/81.

PROPERTY AND SPECIAL TAXES

Chapter 25 S.B. 1109

Deals with airline property taxes paid to the State of Arizona. In the tax year 1980, the Department of Revenue adopted a more precise definition of scheduled ground time to include the time spent on the ground overnight by a scheduled airline if a flight was not scheduled for departure until the following day. This caused most carrier's 1980 tax liability to double from the 1979 level. This legislation statutorily legalizes past reporting practices by defining ground time as a standard forty-five minutes per departures. Amended ARS 42-701 and 42-704. Effective date is retroactive to tax year beginning from and after 12/31/80.

Chapter 46 S.B. 1108

Owners of permanently affixed multiple section mobile homes are required to file an affidavit of affixture with the county recorder when they also own the land upon which the mobile home is affixed. At that point, the land and the mobile home is included on the secured property tax rolls and the mobile home is deleted from the unsecured personal property roll.

Since the secured roll closes January 1st, property could not be placed on that roll in mid-year. Therefore, a mobile home could escape taxation in the year the affidavit was filed. This legislation requires mobile homes to remain on the unsecured roll until the next secured roll is prepared. Amended ARS 42-641.01, 42-642 and 42-645. Effective date 7/24/81.

Chapter 49 S.B. 1147

Eliminated the requirement that the department send valuation notices and the notices of a change in valuation to the property owner by certified or registered mail and allows such notification by regular mail. Amended ARS 42-124.02. Emergency clause made effective 4/1/81.

Chapter 95 H.B. 2048

Requires the inclusion of the parcel number on the affidavit of legal value that must be recorded by the county recorder when real property is sold; requires that the original affidavit be forwarded first to the county assessor and from there to the Department of Revenue Amended ARS 42-1612. Effective date 7/24/81.

Chapter 124 H.B. 2288

Repealed the tax on express companies as companies engaged in the sole business of express shipment no longer exist. Repealed Title 42, Chapter 4, Article 2, Effective date 7/24/81.

Chapter 146 S.B. 1179

Increased the interest rates on delinquent property taxes from 10 percent to 12 percent. Amended ARS 42-342, 42-384, 42-388 to 393, 42-396, 42-421 and 42-612. Effective date 7/24/81.

Chapter 189 S.B. 1323

Provides access to administrative and judicial appeal for property owners whose properties have been placed on the rolls in mid-year due to the correction of an error or omission; appellants on properties that are locally assessed may file a petition with the State Board of Tax Appeals within 15 days of the date of mailing of the decision by the Department of Revenue. Amended ARS 42-124.02, as amended by Laws 1981, Chapter 49, Section 1; Amended ARS 42-126.01, 42-146, 42-245 and 42-405. Effective date 7/24/81.

Chapter 280 S.B. 1384

Requires the Department of Revenue, prior to April 30 of each year, to inform the state treasurer of the full cash value of the real property and improvements in each area served by a fire department or a legally organized fire district; to provide for the distribution of the proceeds received on policies and contracts of fire insurance proportionately to the fire departments or legally organized fire districts. The distribution is to be used for funding fire fighters' pensions. Repealed ARS Sections 9-952 and 9-953. Amended ARS Title 9, Chapter 8, Article 3 by adding new sections 9-952 and 9-953.

Chapter 291 S.B. 1009

Makes changes in the formula for determining state aid to school districts; sets the maximum state property tax rate for education purposes for 1981 to not exceed ninety-five cents per one hundred dollars of assessed valuation. Amended ARS 15-971, 15-972 and 15-994, as added by Laws 1981, Chapter 1, Section 2, Effective date 7/24/81.

Chapter 317 S.B. 1322

This legislation titled "Omnibus Tax Relief Corrections" makes numerous statutory corrections and changes affecting the Property Tax Division of the Department of Revenue.

Exempts municipalities from the levy limits for receipts segregated or collected for paying the principal, interest or redemption changes on bonds or other long-term obligations issued by the municipalities for a specific capital purpose.

Requires that the levy of the free county library tax be collected in the same manner as other primary property taxes.

Makes the determination of credit for widows, widowers and the disabled on the basis of the limited property value that corresponds to the taxable assessed value after reduction for the applicable deduction.

Provides the formula for the Economic Estimates Commission to use in determining the base limit level upon the creation of a new political subdivision to be determined by multiplying the average amount of actual fiscal year 1979-80 per capita payments of local revenues for all political subdivisions of the same type within the county of the new subdivision by the population of the new political subdivision.

Allows the auditor general, for purposes of auditing the Department of Revenue, to have access to state tax returns, except the report shall not violate the confidentiality of state tax information.

Requires that the department add to its report to the board of supervisors the full cash value of all gas, water, electric, utilities and pipelines subject to voluntary contributions under 45-2202.

Eliminates the requirement that in determining full cash value of taxable property, the value of the land and improvements be reported separately. The full cash value of all taxable property shall now be reported as a combined total.

Adds to the annual financial statement of cities, counties or towns the amount of voluntary contributions pursuant to 45-2202.

When the Board of Tax Appeals has granted an emergency allowance to a city, county or town, the political subdivision shall include that portion of the authorized expenditure or liability that has not been paid as a separate budget item and provide for payment in the next fiscal year. Deletes the provision that emergency tax levies not be included in determining the 10 percent limit on the increase of tax levies.

Allows the counties to credit their share of sales tax monies to the general fund of each county.

Provides that all sales tax monies paid to a county in excess of their budget estimate be held in a special fund and included in the next succeeding fiscal year. Deletes the provision allowing the department to authorize counties to issue ad valorem taxes where sales tax receipts are below the amount estimated.

Permits any county to place its share of the rental occupancy tax in the general fund of the county.

Requires all rental occupancy taxes paid to a county in excess of its budget estimate be held in a special fund and be included in the next fiscal year budget. Deletes the provision allowing the department to authorize counties to issue ad valorem taxes where rental occupancy taxes are below the amount estimated.

Sets forth the computation for the maximum permissible primary property tax levy for counties, cities, towns and community college districts for 1981.

Allows counties who receive sales tax and rental occupancy taxes less than estimated to authorize an additional property tax levy for unpaid warrants outstanding on 7/1/81. Notice to the public is required and all board of supervisor members must be present and vote in favor of the increased levy.

Grants authority to the counties to authorize a one-time secondary property tax levy during 1981 if the county did not complete before 7/1/81 payment of employer contributions for fiscal year 1979-80 for old age survivors' benefits and State Retirement System or plan for

certified school district employees. Amending Section 9-530 ARS as amended by Laws 1945, Chapter 95, Section 2; Amending Section 9-530 ARS, as amended by Section 1 of this act; Repealing Section 9-530 ARS, as amended by Laws 1980, Second Special Session, Chapter 8, Section 3; Amending Section 11-912 ARS; Amending Section 15-972 ARS, as added by Laws 1981, Chapter 1, Section 2; Amending Section 18-216 ARS, as amended by Laws 1980, Second Special Session, Chapter 8, Section 15; Amending Section 41-563 ARS, as amended by Laws 1981, Chapter 1, Section 20; Amending Sections 41-1279.01, 41-1279.04; Amending Sections 42-124.01, 42-201.02, 42-227, 42-274 and 42-302 ARS; Amending Sections 42-308, 42-1344, 42-1345, 42-1728 and 42-1729 ARS; Amending Laws 1980, Second Special Session, Chapter 8, Section 101, as amended by Laws 1980, Chapter 218, Section 12, ARS and repealing Section 42-308 ARS, as amended by this act.

LUXURY TAX

Chapter 42 S.B. 1059

Extends the Department of Revenue statutory authority to seize a taxable luxury item upon which the official tax stamp has not been affixed or upon which the tax has not been paid or accounted for. Amended ARS 42-1213. Effective date 7/24/81.

Chapter 188 S.B. 1321

Removes the requirement for licensing of retail tobacco sellers; licensed tobacco distributors defined as every person that acquires or possesses any tobacco products that require stamps before resale but do not yet have the stamps affixed; conforms the administration and collection of luxury taxes to procedures of other sections of the Department of Revenue. Amended ARS 42-1201, 42-1202, 42-1203, 42-1207.01, 42-1210, 42-1211, 42-1212, 42-1212.01, 42-1214, 42-1216 and 42-1217. Amended Title 42, Chapter 7, Article 1, by adding Sections 42-1214.01 through 42.1214.11 and 42-1218. Effective date 7/24/81.

LICENSING

Chapter 83 S. B. 1010

Requires that the Department of Revenue and the Department of Economic Security provide a single form by which a person desiring to engage in business may obtain tax identification numbers and licenses. Amended Title 42, Chapter 1, Article 1, by adding Section 42-108. Effective 9/30/82.

GENERAL LEGISLATION

Chapter 94 H.B. 2044

Provides that a contractor's failure to pay income, withholding or sales tax would be grounds for the suspension or revocation of the contractor's license following a hearing by the registrar of contractors; and the registrar could refuse to issue a contractor's license to a person who fails to pay state taxes. Amended ARS 32-1154. Effective date 7/24/81.

Chapter 131 H.B. 2039

Revises the confidentiality laws, as they apply to taxation, to maintain confidentiality as well as permit an exchange of confidential information to facilitate

coordination of tax administration; defines "confidential information" to include returns, reports, affidavits, applications and statements and includes all information concerning taxes and receipts discovered by the department and all information received from the Internal Revenue Service; repeals most of the individual confidentiality sections in the statutes concerning tax collection and administration and establishes a single section on confidentiality. Amended Title 42, Chapter 1, Article 1, by adding Section 42-108; repealed 42-1307, 42-1406, 42-1518, 42-1704 and 43-362 through 43-367. Amended 42-104, as amended by Laws 1980, Chapter 240, Section 5, repealed ARS 42-104, as amended by Laws 1980, Second Special Session, Chapter 8, Section 37, Amended ARS 43-381. Effective date 7/24/81.

Chapter 267 S.B. 1062

Requires the director of the Department of Revenue to issue, on or before November 15 of each year, a written report to the governor and Legislature detailing the approximate costs in lost revenue for all state tax exemption devices in effect; defines "tax exemption device" as any tax provision in state law which exempts, in whole or in part, any persons, income, goods, services or property from the impact of established taxes including such devices as deductions, subtractions, exclusions, exemptions, allowances and credits. Amended Title 42, Chapter 1, Article 1, By adding ARS 42-109. Effective date 7/1/82.

Bingo

Chapter 309 H.B. 2269

This bill raises the city bingo licensing fee from $25 to $50 and raises the state fee from $50 to $100. It changes the tax rate from 2.5 percent of the net proceeds to 1 percent of the gross proceeds of the bingo games. It also makes changes in the following areas: the requirements in an application for a license; the limitations on where a bingo game may be held and on persons conducting the games; the maximum amount of prizes; the basis for revoking a license and the penalties for filing late or fraudulent reports. Amended ARS Sections 5-401 through 5-404, 5-406, 5-407 and 5-410. Effective October 1, 1981.

LEGISLATION RECOMMENDED FOR 1982

1982 DOR LEGISLATION

INCOME TAX

Proposal 1.

Amend 43-104 and 42-1501 to incorporate in the definitions of "Internal Revenue Code" the federal changes during 1981 including the Economic Recovery Act of 1981.

Purpose:

To carry out the legislative intent to have Arizona gross income equal to federal adjusted gross income* in accordance with Section 43-1001 and 43-1101 and conform the estate tax to the amount of the federal credit.

* For corporations, Arizona gross income equals federal taxable income.

Proposal 2.

Amend ARS 43-432(A) to provide that interest at the rate of 12 percent be paid on the amount withheld from an employee in excess of an employee's state income tax liability, if the department does not issue the refund within a set time period.

Purpose:

To bring Arizona statute into conformance with federal statutes regarding refunds and to provide some remuneration to the taxpayer if the department cannot act within a set time period.

Proposal 3.

Amend 43-821 to provide a penalty for late payment of income taxes.

Purpose:

Present income tax law only provides a penalty of 5 percent per month (25 percent maximum) for failure to file income tax returns. Hence, it is possible for a taxpayer to avoid paying penalties by simply filing a return, but not paying any tax. In those instances, interest at 12 percent per year accrues on the tax. To a taxpayer, this interest rate compares favorably with current rates for borrowing money.

Additionally, this statutory set up does not penalize taxpayers who write bad checks along with their returns, since the return is timely filed, interest only accumulates on he unpaid tax.

Proposal 4.

Amend Section 3, Chapter 132, Laws 1981, to make a technical correction to the Sub-Chapter S law to bring it into total conformity to federal statutes.

Purpose:

When the Sub-Chapter S authorization legislation was passed in 1979, it required that all taxpayers who were Sub-Chapter S corporations for federal purposes automatically became Sub-Chapter S corporations for state purposes.

However, it was discovered after passage of the act, that some corporations had net operating loss carryforwards which they lost because they instantly became a Sub-Chapter S corporation for state purposes.

Recognizing this, the legislature

sought to provide one-time transitional relief to such taxpayers. The law (Chapter 132, Laws 1981) provided, among other things, that any corporation which had a net operating loss when it became a Sub-Chapter S corporation (as the result of the 1979 legislation) could distribute that loss to its shareholders on a pro-rata basis.

However, the 1981 law, as passed has a provision in it that also allows corporations in the future who elect Sub-Chapter S status to keep any net operating loss they may have and distribute it to the shareholders. This is contrary to federal law. Anyone contemplating Sub-Chapter S status against the tax disadvantages of losing a new operating loss carryforward and then makes a decision. This was the intent of the 1981 correction.

SALES TAX

Proposal 5.

(1) Amend 42-1308 to allow revocation of sales tax licenses; (2) Amend 42-1308 to provide for the taxation of itinerant peddlers, swap meet vendors and other similar enterprises; (3) Provide for bonding on sale tax licensees; (4) Increase the criminal penalty for engaging in business without a license; (5) Amend 42-1308 to increase the license fee from $1 to $5.

Purpose:

(1) Present law allows the department to not issue a license if a taxpayer is in arrears on the payment of taxes. This allows us to deny an original application if the taxpayer has a liability on another business and also allows us to deny a license renewal. However, we have no authority to revoke a license from a taxpayer who goes into arrears after a license has been issued. Such authority would give the department an enforcement tool.

(2) Itinerant peddlers and swap meet vendors cannot be administered through the existing mechanism of licensing and collection. This proposal allows the department to collect the tax from such enterprises pursuant to regulations and does not require these enterprises to obtain a sales tax license.

(3) Bonding legislation would give the department another collection tool to deal with delinquent accounts.

(4) The present criminal penalty for engaging in business without a license is a Class 3 misdemeanor, the lowest class of misdemeanor. In conjunction with a provision revoking licenses, a stricter penalty is necessary for those who continue to engage in business without licenses.

(5) Increasing the license fee will bring it more into line with costs.

Proposal 6.

Amend ARS 42-1326 to simplify the procedures for refunding any excess sales taxes transmitted by a taxpayer.

Purpose:

The current refund procedure requires that before a refund may be issued, a certificate of overpayment and a claim for refund must

be signed by the taxpayer and returned to the department who sends it to the Division of Finance. Then, the attorney general's office must approve each claim.

This process is very cumbersome.

Alternatively, a credit voucher can be issued to the taxpayer who can apply that amount against future month's tax liability. However, often the taxpayer has gone out of business, or the future tax liability is so small that the voucher will be good for a long duration.

Proposal 7.

Amend ARS 42-1322(h) and 43-1504, repeal 43-642 and add 42-108 to provide for a limited authority to write off tax balances determined to be uncollectible, or where the costs of collection exceed the amount of tax due.

Purpose:

Currently the department must keep an outstanding balance on its books forever unless the attorney general agrees that the amount of the tax would not exceed the collection and administration costs. This forces the department to keep track of all accounts even after there is no longer any hope of collection which adds unnecessary administration costs and results in an unrealistic reporting of total taxes owed the state.

PROPERTY TAX

Proposal 8.

Amend ARS 42-123.02 to provide a cash award to assessors completing intermediate and advanced certification. Awards would be in the sum of $500.00 each and the recipient must still be employed by the same county one year after achievement of intermediate or advanced certification.

Purpose:

Statutes provide for a graduated certification program encompassing provisional, basic, intermediate and advanced certifications. The proposed amendment would provide a financial incentive for certification above the basic level as is done in a few other states.

Proposal 9.

Amend ARS 42-236(d) to clarify the manner in which the tax on property that has escaped assessment is handled.

Proposal 10.

Amend 42-301 to allow the governing board of a county or community college district to base their need for an override election on the amounts permitted to be raised in the previous year, rather than requiring them to determine such need on the current year's calculation under 42-301(a).

Purpose:

It is currently implausible for annual levy calculations to be determined in sufficient time for county or community college districts to determine if an override election should be held, give proper notice and have the election on the third Tuesday in May.

OTHER

Proposal 11.

Amend ARS 9-1181 which currently

exempts industrial development corporation income and the income on its bonds from all taxation in this state except ad valorem taxes. The amendment would limit the exemption from taxation to interest income for Arizona income tax purposes.

Purpose:

To claify whether capital gains income is exempt from state income taxation and whether or not the value of such bonds would be exempt from estate taxation.

APPENDICES

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STATISTICAL TABLES

TABLE 31

Agency Statement of Total Revenue Collections and Distributions

1980-1981

Source	Total Revenue Collections	General Revenue Fund	Excise and Privilege Tax Clearing Fund	Special Privilege Tax Fund	Education Excise Tax Clearing Fund	Special Education Excise Tax Clearing Fund	Use Tax Receipts Fund	Bingo Tax Clearing Fund	Percent of Total Revenue Collections & Distributions
SALES AND USE TAX									
Transaction Privilege	$315,333,779	$106,718,563	$ 781,124						20.58%
Education Excise	306,054,592		801,955		$305,252,637				19.97
Special Education	114,897,883		386,708			$114,511,175			7.50
Use	14,016,182		63,219				$13,952,963		.91
Bingo	159,422		2,948					$156,474	.01
Rental Occupancy	241,993		3						.02
Subtotal	$750,703,851	$106,718,563	$ 2,035,957	$208,076,082	$305,252,637	$114,511,175	$13,952,963	$156,474	48.99%
MUNICIPAL SALES TAX	$ 27,408,078		$27,408,078						
TOTAL	-		$29,443,871	$208,076,082	$305,252,637	$114,511,175	$13,952,963	$156,474	
FUND DISTRIBUTIONS PERCENTAGE			1.92%	13.58%	19.92%	7.47%	0.91%	0.01%	

Note: Except for the General Revenue Fund, distribution funds for the remaining taxes administered by the Department differ from Sales and Use Taxes. The remaining tax types and their respective funds distribution are identified on the following pages. Balances brought forward for Sales and Use Taxes consequently apply only to Total Revenue Collections and the General Revenue Fund distribution.

TABLE 31 (Cont'd)

Agency Statement of Total Revenue Collections and Distributions

1980-1981

Source	Total Revenue Collections	General Revenue Fund	Income Tax Fund	Urban Revenue Sharing Fund	Luxury Tax Clearing Fund	Escheated Estates Clearing Fund	Estate Tax Clearing Fund	Unclaimed Property Clearing Fund	Unidentified Income Monies Fund	Permanent Common School Fund	Percent of Total
SALES AND USE TAX											
Balance forward	$ 750,703,851	$106,718,563									48.99%
INCOME TAX											
Withholding	$ 325,366,394		$94,284,939								21.24%
Individual	133,503,187		454,084						$1		8.71
Corporation	130,378,605		3,868,506								8.51
Subtotal	$ 589,248,186	$435,769,765	$98,607,529	$54,870,891					$1		38.46%
LUXURY TAX											
Spirituous Liuqor	$ 13,593,465				$13,593,465						0.89%
Vinous Liquor	2,632,740				2,632,740						0.17
Malt Liquor	6,574,829				6,574,829						0.43
Tobacco and Cigarettes	40,084,078				40,084,078						2.62
Subtotal	$ 62,885,112				$62,885,112						4.11%
ESTATE TAX											
Estate	$ 10,139,409	$ 9,900,341					$239,068				0.66%
Unclaimed Property	1,053,513	567,651						$485,862			0.07
Escheated Estates	74,252					$18,886				$55,366	0.00
Unclaimed Shares and Dividends	30,722									30,722	0.00
Subtotal	$ 11,297,896	$ 10,467,992				$18,886	$239,068	$485,862		$86,088	0.73%

TABLE 31 (Cont'd)

Agency Statement of Total Revenue Collections and Distributions

1980-1981

Source	Total Revenue Collections	General Revenue Fund	Income Tax Fund	Urban Revenue Sharing Fund	Luxury Tax Clearing Fund	Escheated Estates Clearing Fund	Estate Tax Clearing Fund	Unclaimed Property Clearing Fund	Unidentified Income Monies Fund	Permanent Common School Fund	Percent of Total
Balance Forward											
SALES AND USE TAX	$ 750,703,851	$106,718,563									48.99%
INCOME TAX	589,248,186	435,769,765									38.46%
LUXURY TAX	62,885,112										4.11%
ESTATE TAX	11,297,896	10,467,992									0.73%
PROPERTY AND SPECIAL TAXES											
Flight Property	$ 5,585,255	$ 5,585,255									0.36%
Private Rail Cars	692,366	692,366									0.05
Subtotal	6,277,621	$ 6,277,621									0.41%
Department Subtotal	$1,420,412,666	$559,233,941	$98,607,529	$54,870,891	$62,885,112	$18,886	$239,068	$485,862	$1	$86,-88	92.70%
STATE PROPERTY TAX*	$ 84,349,439	$ 84,349,439									5.51%
MUNICIPAL SALES TAX	$ 27,408,078										1.79%
TOTAL	$1,532,170,183	$643,583,380	$98,607,529	$54,870,891	$62,885,112	$18,886	$239,068	$485,862	$1	$86,-88	-
FUND DISTRIBUTIONS PERCENTAGE	100.00%	42.01%	6.44%	3.58%	4.10%	0.01%	0.02%	0.03%	0.00%	0.01%	

* Collected by County Treasurers

FUND DEFINITIONS

Excise and Privilege Taxes Clearing Fund is a clearing account to provide for refunds against state sales and use tax collections. This fund also contains municipal sales tax collections and license fees prior to distribution to the municipalities.

Luxury Tax Clearing Fund is a clearing account to provide for all luxury tax collections including wholesale tobacco license fees. Refunds are paid from this fund.

Special Privilege Tax Clearing Fund is the clearing account from which county and municipal sales tax distribution and exempt food sales tax reimbursements are made. Any undistributed amounts are transferred to the general revenue fund.

Education Excise Fund. The sales tax revenues transferred to Fund 005 are to be credited to the general revenue fund and appropriated, annually, for public education purposes.

Special Education Excise Fund. The sales tax revenues transferred to Fund 006 are to be credited to the general revenue fund and appropriated, annually, for public education purposes.

Income Tax Fund is a clearing account to provide for all claims against withholding, individual and corporation income tax collections. At fiscal year end, $500,000 of fiscal year collections is retained in this fund under department fiduciary responsibility.

Use Tax Receipts Fund. Fifty percent of use tax collections are deposited in Fund 903 to be credited to the general revenue fund at the end of each calendar month. The remaining fifty percent is deposited in the education excise fund.

Bingo Clearing Fund. Bingo tax collections and license fees are deposited in Fund 905 for transfer to the general revenue fund.

Urban Revenue Sharing Fund is the clearing account from which urban revenue sharing funds are distributed to all Arizona municipalities on the basis of population.

Escheated Estates Clearing Fund is a clearing account to provide for all valid claims against property escheated to the state.

Estate Tax Clearing Fund is a clearing account to provide for all valid claims against estate tax collections.

Unclaimed Property Trust Clearing Fund is a clearing account to provide for all valid claims against proceeds from the sale of abandoned property.

Unidentified Income Tax Monies is a clearing account for unidentified income tax collections which are retained under department fiduciary responsibility.

Permanent Common School Fund is a trust fund through which revenues are invested and proceeds distributed for use by state school districts.

TABLE 32

Summary of Special Tax Credits

1978-79 / 1980-81

Fiscal Year	Solar Energy	Percent of Change	Residential Insulation	Percent of Change	Property Tax	Percent of Change	Renters Credits	Percent of Change	Total Credits	Percent of Change
1978-79	$ 945,468	-	$1,384,019	-	$10,568,921	-	$11,150,767	-	$24,049,175	-
1979-80	4,588,755	385.34%	2,397,942	73.26%	12,522,066	18.48%	15,461,802	38.66%	34,970,565	45.41%
1980-81	8,428,405	83.68%	2,553,627	6.49%	15,203,388	21.41%	20,663,868	33.64%	46,849,288	33.97%

TABLE 33

Analysis of Revenue Collected*

Summary of Sources with Financial Analysis

1974-75 / 1980-81

Fiscal Year	Gross	Net	Financial Analysis: Expenditures	Financial Analysis: Expenditures as Percent of Gross
1974-75	$ 686,725,079	$ 535,409,297	6,971,552	1.02%
1975-76	737,488,323	568,024,926	7,184,934	0.97%
1976-77	848,890,062	652,363,129	7,992,316	0.94%
1977-78	981,199,240	751,602,364	8,568,396	0.87%
1978-79	1,206,898,751	920,193,490	9,746,178	0.81%
1979-80	1,429,319,661	1,081,178,484	11,295,100	0.79%
1980-81	1,447,820,744	1,055,859,680	14,815,900	1.02%

* Does not include state property tax collected by county treasurers.

TABLE 34

Analysis of Revenue Collected

Source Detail

1974-75 / 1980-81

Source	1974-75 Gross	1974-75 Net	1975-76 Gross	1975-76 Net
SALES AND USE TAX				
Transaction Privilege	$174,217,015	$	$187,536,545	$
Education Excise	160,185,859		181,085,020	
Special Education	55,857,432		59,996,809	
Use	7,481,490		7,204,281	
Bingo	63,222		82,788	
Rental Occupancy	61,851		194,752	
Subtotal	$397,866,869	$295,413,919	$436,100,195	$325,712,250
INCOME TAX				
Withholding	$109,163,631	$	$107,294,695	$
Individual	63,767,813		74,191,425	
Corporation	50,753,043		48,656,125	
Subtotal	$223,684,487	$182,485,565	$230,142,245	$182,247,036
LUXURY TAX				
Spirituous Liquor	$ 9,658,946	$	$ 10,516,324	$
Vinous Liquor	1,557,456		1,823,873	
Malt Liquor	4,708,829		4,799,293	
Tobacco-All Types	34,342,305		35,132,747	
Licensing	-		675	
Subtotal	$ 50,267,536	$ 50,097,998	$ 52,272,912	$ 52,097,533
ESTATE TAX				
Estate	$ 3,840,306	$	$ 4,570,680	$
Unclaimed Property	280,566		333,301	
Escheated Estates and Unclaimed Dividends	83,822		217,796	
Subtotal	$ 4,204,694	$ 3,910,322	$ 5,121,777	$ 4,796,286
FLIGHT PROPERTY TAX	$ 2,205,999	$ 2,205,999	$ 1,782,664	$ 1,782,664
PRIVATE CAR TAX	$ 1,295,494	$ 1,295,494	$ 1,389,157	$ 1,389,157
Department Total	$679,525,079	$535,409,297	$726,808,950	$568,024,926
STATE PROPERTY TAX	$ 75,354,418	$ 75,354,418	$ 93,641,725	$ 93,641,725
MUNICIPAL SALES TAX	$ 7,200,000	-	$ 10,679,373	-
Totals	$762,079,497	$610,763,715	$831,130,048	$661,666,651

TABLE 34 (Cont'd)

Analysis of Revenue Collected

Source Detail

1974-75 / 1980-81

1976-77 Gross	1976-77 Net	1977-78 Gross	1977-78 Net	Source
				SALES AND USE TAX
$216,049,456	$	$ 247,838,898	$	Transaction Privilege
208,981,016		240,826,672		Education Excise
69,778,747		81,151,553		Special Education
8,997,174		8,647,600		Use
96,394		118,114		Bingo
179,845		169,562		Rental Occupancy
$504,082,632	$376,556,322	$ 578,752,399	$432,879,957	Subtotal
				INCOME TAX
$137,230,597	$	$ 162,628,285	$	Withholding
77,939,281		92,031,661		Individual
54,596,220		66,307,381		Corporation
$269,766,098	$214,529,844	$ 320,967,327	$254,741,577	Subtotal
				LUXURY TAX
$ 10,783,102	$	4 11,651,750	$	Spirituous Liquor
1,895,699		2,073,566		Vinous Liquor
5,100,868		5,424,077		Malt Liquor
35,683,918		38,005,160		Tobacco-All Types
518		647		Licensing
$ 53,464,105	$ 53,263,758	$ 57,155,200	$ 55,263,758	Subtotal
				ESTATE TAX
$ 4,762,119	$	$ 4,398,836	$	Estate
439,299		356,622		Unclaimed Property
				Escheated Estates and Unclaimed
106,498		48,276		Dividends
$ 5,307,916	$ 4,723,277	$ 4,803,734	$ 4,627,365	Subtotal
$ 2,012,487	$ 2,012,487	$ 2,064,993	$ 2,064,993	FLIGHT PROPERTY TAX
$ 1,277,441	$ 1,277,441	$ 1,348,215	$ 1,348,215	PRIVATE CAR TAX
$835,910,679	$652,363,129	$ 965,091,868	$750,925,865	Department Total
$102,781,425	$102,781,425	$ 109,252,805	$109,252,805	STATE PROPERTY TAX
$ 12,979,383	-	$ 16,107,372	-	MUNICIPAL SALES TAX
$951,671,487	-	$1,090,452,045	$860,178,670	Totals

TABLE 34 (Cont'd)

Analysis of Revenue Collected

Source Detail

1974-75 / 1980-81

Source	1978-79 Gross	1978-79 Net	1979-80 Gross	1979-80 Net
SALES AND USE TAX				
Transaction Privilege	$ 302,812,573		$ 344,755,193	$
Education Excise	292,999,847		335,360,847	
Special Education	98,985,428		121,759,143	
Use	10,657,575		15,267,048	
Bingo	127,072		142,458	
Rental Occupancy	155,854		147,904	
Subtotal	$ 705,738,349	$ 527,175,377	$ 817,432,593	$ 613,572,917
INCOME TAX				
Withholding	$ 199,701,449	$	$ 269,412,512	$
Individual	116,113,005		121,471,839	
Corporation	92,608,295		117,764,492	
Subtotal	$ 408,422,749	$ 322,175,377	$ 508,648,843	$ 389,980,984
LUXURY TAX				
Spirituous Liquor	$ 12,684,041	$	$ 13,227,227	$
Vinous Liquor	2,361,719		2,480,932	
Malt Liquor	6,009,779		6,386,712	
Tobacco-All Types	38,977,667		41,232,502	
Licensing	1,593		752	
Subtotal	$ 60,034,799	$ 58,812,738	$ 63,328,125	$ 61,978,771
ESTATE TAX				
Estate	$ 8,475,196	$	$ 12,258,772	$
Unclaimed Property	354,745		425,807	
Escheated Estates and Unclaimed Dividends	111,258		157,302	
Subtotal	$ 8,941,199	$ 8,745,365	$ 12,841,881	$ 12,601,638
FLIGHT PROPERTY TAX	$ 2,053,858	$ 2,053,858	$ 2,507,401	$ 2,507,401
PRIVATE CAR TAX	$ 999,759	$ 999,759	$ 536,773	$ 536,773
Department Total	$1,186,190,713	-	$1,405,295,616	-
STATE PROPERTY TAX	$ 84,621,457	$ 84,621,457	$ 40,356,292	$ 34,194,839
MUNICIPAL SALES TAX	$ 20,708,038	-	$ 24,024,045	-
Totals	$1,291,520,208	$1,004,814,947	$1,469,675,953	$1,115,373,323

TABLE 34 (Cont'd)

Analysis of Revenue Collected

Source Detail

1974-75 / 1980-81

1980-81 Gross	1980-81 Net	Source
		SALES AND USE TAX
$ 315,333,779	$ 106,718,563	Transaction Privilege
306,054,592	305,252,637	Education Excise
114,897,883	114,511,175	Special Education
14,016,182	13,952,963	Use
159,422	156,474	Bingo
241,993	*	Rental Occupancy
$ 750,703,851	$ 540,591,812	Subtotal
		INCOME TAX
$ 325,366,394	$	Withholding
133,503,187		Individual
130,378,605		Corporation
$ 589,248,186	$ 435,769,765	Subtotal
		LUXURY TAX
$ 13,593,465	$ 13,593,465	Spirituous Liquor
2,632,740	2,632,740	Vinous Liquor
6,574,829	6,574,829	Malt Liquor
40,083,323	39,744,227	Tobacco-All Types
755	755	Licensing
$ 62,885,112	$ 62,546,016	Subtotal
		ESTATE TAX
$ 10,139,409	$ 9,900,341	Estate
1,053,513	567,651	Unclaimed Property
		Escheated Estates and Unclaimed
104,974	86,088	Dividends
$ 11,297,896	$ 10,554,080	Subtotal
$ 5,585,255	$ 5,585,255	FLIGHT PROPERTY TAX
$ 692,366	$ 692,366	PRIVATE CAR TAX
$1,420,412,665	$1,055,739,294	Department Total
$ 84,349,439	$ 84,349,439	STATE PROPERTY TAX
$ 27,408,078	-	MUNICIPAL SALES TAX
$1,532,170,183	$1,140,088,733	Totals

* Net rental occupancy included in transaction privilege tax.

TABLE 35

Financial Performance Profile

Revenue Collected Per Dollar of Agency Expenditure

1974-75 / 1980-81

Fiscal Year	Gross Revenue*	Operating Expenses	Revenue Collected Per Dollar Expended
1974-75	$ 686,725,079	$ 6,971,552	$ 98.50
1975-76	737,488,323	7,184,934	102.64
1976-77	848,890,062	7,992,316	106.21
1977-78	981,199,240	8,568,396	114.51
1978-79	1,206,898,751	9,746,178	123.83
1979-80	1,429,319,661	11,295,100	126.54
1980-81	1,447,820,744	14,815,900	97.72

* Gross includes municipal sales tax collections and does not include state property tax collected by county treasurers.

TABLE 36

Income Tax Collected

1974-75 / 1980-81

Fiscal Year	Gross	Net	Net as Percent of Gross	Percent of Change in Net
1974-75	$223,684,487	$182,485,565	81.58%	-
1975-76	230,142,245	182,247,036	79.19	(0.13)%
1976-77	269,766,098	214,529,844	79.52	17.71
1977-78	320,967,327	254,741,577	79.37	18.74
1978-79	408,422,749	322,175,377	78.88	26.47
1979-80	508,648,843	389,980,984	76.67	21.05
1980-81	589,248,186	435,769,765	73.95	11.74

TABLE 37

Urban Revenue Sharing Distribution

By Municipality

1980-1981

Municipality	Distribution	Population	Population as Percent of Total
Apache			
Eagar	$ 62,215	1,962	.1153%
Springerville	36,498	1,151	.0677
St. Johns	58,283	1,838	.1080
Total	$ 156,996	4,951	.2910%
Cochise			
Benson	$ 108,227	3,413	.2006%
Bisbee	264,114	8,329	.4896
Douglas	395,172	12,462	.7326
Huachuca City	53,622	1,691	.0994
Sierra Vista	638,041	20,121	1.1828
Tombstone	39,352	1,241	.0730
Willcox	85,744	2,704	.1590
Total	$ 1,584,272	49,961	2.9370%
Coconino			
Flagstaff	$ 994,749	31,370	1.8441%
Fredonia	25,305	798	.0469
Page	186,836	5,892	.3464
Williams	75,661	2,386	.1403
Total	$ 1,282,551	40,446	2.3777%
Gila			
Globe	$ 232,531	7,333	.4311%
Hayden	40,684	1,283	.0754
Miami	107,624	3,394	.1995
Payson	91,642	2,890	.1699
Winkelman	30,886	974	.0573
Total	$ 503,367	15,874	.9332%
Graham			
Pima	$ 45,726	1,442	.0848%
Safford	188,580	5,947	.3496
Thatcher	90,881	2,866	.1685
Total	$ 325,187	10,255	.6029%
Greenlee			
Clifton	$ 161,310	5,087	.2990%
Duncan	24,512	773	.0454
Total	$ 185,822	5,860	.3444%

TABLE 37 (Cont'd)

Urban Revenue Sharing Distributions

By Municipality

1980-1981

Municipality	Distribution	Population	Population as Percent of Total
Maricopa			
Avondale	$ 210,112	6,626	.3895%
Buckeye	82,415	2,599	.1528
Chandler	635,282	20,034	1.1777
El Mirage	123,955	3,909	.2298
Gila Bend	56,920	1,795	.1055
Gilbert	114,252	3,603	.2118
Glendale	2,134,033	67,298	3.9561
Goodyear	74,233	2,341	.1376
Guadalupe	135,878	4.285	.2519
Mesa	3,195,214	100,763	5.9234
Paradise Valley	289,229	9,121	.5362
Peoria	246,008	7,758	.4561
Phoenix	21,325,645	672,517	39.5340
Scottsdale	2,475,456	78,065	4.5891
Surprise	105,341	3,322	.1953
Tempe	2,977,016	93,882	5.5189
Tolleson	123,067	3,881	.2281
Wickenburg	92,213	2,908	.1709
Youngtown	59,805	1,886	.1109
Total	$34,456,074	1,086,593	63.8756%
Mohave			
Kingman	$ 254,474	8,025	.4718%
Lake Havasu	428,849	13,524	.7950
Total	$ 683,323	21,549	1.2668%
Navajo			
Holbrook	$ 161,500	5,093	.2994%
Show Low	107,117	3,378	.1986
Snowflake	81,590	2,573	.1513
Taylor	47,597	1,501	.0882
Winslow	255,774	8,066	.4742
Total	$ 653,578	20,611	1.2117%
Pima			
Marana	$ 46,614	1,470	.0864%
Oro Valley	38,433	1,215	.0714
South Tucson	197,237	6,220	.3656
Tucson	9,756,275	307,670	18.0864
Total	$10,038,559	316,575	18.6098%

TABLE 37 (Cont'd)

Urban Revenue Sharing Distributions

By Municipality

1980-1981

Municipality	Distribution	Population	Population as Percent of Total
Pinal			
Apache Junction	$ 321,890	10,151	.5967%
Casa Grande	431,195	13,598	.7994
Coolidge	212,807	6,711	.3945
Eloy	205,894	6,493	.3817
Florence	92,784	2,926	.1720
Kearny	89,708	2,829	.1663
Mammoth	64,752	2,042	.1200
Superior	159,439	5,028	.2956
Total	$ 1,578,469	49,778	2.9262%
Santa Cruz			
Nogales	$ 353,664	11,153	.6556%
Patagonia	19,978	630	.0370
Total	$ 373,642	11,783	.6926%
Yavapai			
Chino Valley	$ 64,055	2,020	.1187%
Clarksdale	33,835	1,067	.0627
Cottonwood	113,840	3,590	.2110
Jerome	9,196	290	.0170
Prescott	535,522	16,888	.9928
Prescott Valley	57,269	1,806	.1062
Total	$ 813,717	25,661	1.5084%
Yuma			
Parker	$ 61,771	1,948	.1145%
San Luis	53,971	1,702	.1000
Somerton	98,175	3,096	.1820
Wellton	30,664	967	.0568
Yuma	1,062,323	33,501	1.9694
Total	$ 1,306,904	41,214	2.4227%
TOTAL	$53,942,465	1,701,111	100.00%

TABLE 38

Gross and Net Sales/Use Tax Collected

1974-75 / 1980-81

Fiscal Year	Gross	Net	Net as Percent of Gross	Percent of Change in Net
1974-75	$397,866,867	$295,413,919	74.25	-
1975-76	436,100,194	325,712,251	74.69	10.26
1976-77	504,082,632	376,556,321	74.70	15.61
1977-78	578,752,399	432,879,956	74.80	14.96
1978-79	705,738,349	527,175,377	74.70	21.78
1979-80	816,982,608	613,122,926	75.05	16.30
1980-81	750,703,851	540,591,812	72.01	-11.83

TABLE 39

Net Taxable Income

By Sales Tax Classification

1978-79 / 1980-81

Classification	1978-79	1979-80	1980-81*
Transporting and Towing	$ 9,252,765	$ 10,451,819	$ 8,766,996
Mining Oil and Gas Production	1,888,422,248	2,779,034,700**	1,646,989,150**
Timbering	80,091,775	64,626,605	65,815,726
Utilities	1,392,683,999	1,672,432,612	1,764,919,673
Communications	378,701,174	430,905,536	510,643,970
Railroads and Aircraft	26,607,459	30,983,438	34,081,122
Private Car and Pipelines	2,361,055	1,239,150	2,488,909
Publishing	151,068,462	183,890,400	209,765,944
Job Printing and Advertising	169,229,433	190,809,200	205,768,138
Restaurants and Bars	1,089,965,858	1,242,332,159	1,346,845,864
Amusements	118,592,689	133,072,758	154,804,841
Real Property Rentals	769,097,320	810,102,452	921,099,879
Personal Property Rentals	367,457,087	468,766,163	523,025,005
Contracting	2,279,148,658	2,397,908,515	2,254,556,937
Wholesale Feed	199,699,312	218,256,656	260,971,896
Retail	9,423,582,095	10,681,015,551	9,208,456,105***

* Due to filing date changes for sales tax, taxable income recorded in FY 1980-81 is not directly comparable with FY 1979-80. This is because collections for June 1981 did not represent a full month of taxable activity.

** Actual mining taxable incomes after adjustments were made in 1980-81. Table 2 mining sales correspond to amounts used in shared sales tax formulas during 1979-80 and 1980-81.

*** Retail sales of food for home consumption not taxable, effective July 1, 1980.

TABLE 40

State Sales Tax City/County Distributions*

1980-1981

City/County	Distribution of Collections	Food Tax Reimbursement	Total Distribution	Percent of Distribution	Population Mid-decade Census
Eagar	$ 93,223	$ 2,120	$ 95,343	.1089	1,962
Springerville	54,298	5,279	59,577	.0680	1,151
St. Johns	89,038	8,659	97,597	.1116	1,838
Benson	160,621	15,617	176,238	.2013	3,413
Bisbee	384,779	37,405	422,184	.4821	8,329
Douglas	581,301	56,514	637,815	.7284	12,462
Huachuca City	78,611	7,642	86,253	.0985	1,691
Sierra Vista	950,047	92,372	1,042,419	1.1904	20,121
Tombstone	58,706	5,708	64,414	.0736	1,241
Willcox	127,129	12,360	139,489	.1593	2,704
Flagstaff	1,467,434	142,667	1,610,101	1.8387	31,370
Fredonia	37,698	3,665	41,363	.0472	798
Page	271,872	26,429	298,301	.3407	5,892
Williams	110,769	10,769	121,538	.1388	2,386
Globe	339,769	33,033	372,802	.4257	7,333
Hayden	59,499	5,784	65,283	.0746	1,283
Miami	156,319	15,196	171,515	.1959	3,394
Payson	139,621	0*	139,621	.1594	2,890
Winkleman	45,555	4,431	49,986	.0571	974
Pima	67,492	3,586	71,078	.0812	1,442
Safford	279,238	27,149	306,387	.3499	5,947
Thatcher	134,577	13,084	147,661	.1686	2,866

* City distributions from the state sales tax are based on relative population. County sales tax distributions are determined by county taxable sales and assessed valuation.

TABLE 40 (Cont'd)

State Sales Tax City/County Distributions*

1980-1981

City/County	Distribution of Collections	Food Tax Reimbursement	Total Distribution	Percent of Distribution	Population Mid-decade Census
Clifton	$ 234,692	$ 22,815	$ 257,507	.2941	5,087
Duncan	35,536	3,454	38,990	.0445	773
Avondale	311,871	30,322	342,193	.3908	6,626
Buckeye	122,921	11,951	134,872	.1540	2,599
Chandler	954,951	92,855	1,047,806	1.1966	20,034
El Mirage	182,839	17,776	200,615	.2291	3,909
Gila Bend	83,015	8,070	91,085	.1040	1,795
Gilbert	172,636	16,787	189,423	.2163	3,603
Glendale	3,201,511	311,296	3,512,807	4.0116	67,298
Goodyear	109,875	10,683	120,558	.1377	2,341
Guadalupe	199,915	19,436	219,351	.2505	4,285
Mesa	4,810,624	467,770	5,278,394	6.0279	100,763
Paradise Valley	428,470	41,658	470,128	.5369	9,121
Peoria	371,626	36,136	407,762	.4657	7,758
Phoenix	31,569,359	3,069,368	34,638,727	39.5573	672,517
Scottsdale	3,656,838	355,529	4,012,367	4.5821	78,065
Surprise	155,537	15,122	170,659	.1949	3,322
Tempe	4,398,873	427,673	4,826,546	5.5119	93,882
Tolleson	181,861	17,681	199,542	.2279	3,881
Wickenburg	136,760	13,297	150,057	.1714	2,908
Youngtown	88,648	8,619	97,267	.1111	1,886
Kingman	376,364	36,591	412,955	.4716	8,025
Lake Havasu	634,511	61,690	696,201	.7951	-

* City distributions from the state sales tax are based on relative population. County sales tax distributions are determined by county taxable sales and assessed valuations.

TABLE 40 (Cont'd)

State Sales Tax City/County Distributions*

1980-1981

City/County	Distribution of Collections	Food Tax Reimbursement	Total Distribution	Percent of Distribution	Population Mid-decade Census
Holbrook	$ 238,624	$ 23,200	$ 261,824	.2990	5,093
Show Low	159,374	15,496	174,870	.1997	3,378
Snowflake	121,970	11,859	133,829	.1528	2,573
Taylor	70,794	6,883	77,677	.0887	1,501
Winslow	375,014	36,458	411,472	.4699	8,066
Marana	68,871	6,696	75,567	.0863	1,470
Oro Valley	57,142	5,558	62,700	.0716	1,215
South Tucson	290,185	28,212	318,397	.3636	6,220
Tucson	14,370,428	1,397,107	15,767,535	18.0065	307,670
Apache Junction	471,815	45,869	517,684	.5912	10,151
Casa Grande	636,008	0	636,008	.7263	13,598
Coolidge	312,604	30,391	342,995	.3917	6,711
Eloy	301,542	29,315	330,857	.3778	6,493
Florence	137,244	13,344	150,588	.1720	2,926
Kearny	131,205	12,755	143,960	.1644	2,829
Mammoth	94,671	9,222	103,893	.1186	2,042
Superior	232,977	22,649	255,626	.2919	5,028
Nogales	529,310	51,497	580,807	.6633	11,153
Patagonia	30,116	2,928	33,044	.0377	630

* City distributions from the state sales tax are based on relative population. County sales tax distributions are determined by county taxable sales and assessed valuations.

TABLE 40 (Cont'd)

State Sales Tax City/County Distributions*

1980-1981

City/County	Distribution of Collections	Food Tax Reimbursement	Total Distribution	Percent of Distribution	Population Mid-decade Census
Chino Valley	$ 95,935	$ 9,328	$ 105,263	.1202	2,020
Clarksdale	50,682	0	50,682	.0579	1,067
Cottonwood	169,286	16,460	185,746	.2121	3,590
Jerome	13,772	1,347	15,119	.0173	290
Prescott	793,327	77,131	870,458	.9941	16,888
Prescott Valley	85,188	8,282	93,470	.1067	1,806
Parker	92,033	8,948	100,981	.1153	1,948
San Luis	78,762	7,759	86,521	.0988	1,702
Somerton	150,347	14,621	164,968	.1884	3,096
Wellton	44,829	4,358	49,187	.0562	967
Yuma	1,577,770	153,617	1,731,387	1.9772	33,501
City Total**	$79,888,650	$7,677,340	$87,565,991	100.00%	1,701,111

* City distributions from the state sales tax are based on relative population. County sales tax distributions are determined by county taxable sales and assessed valuations.

** Totals may not add due to rounding.

Note: Some cities do not receive food tax reimbursement pursuant to ARS 42-1342.01.H.

TABLE 40 (Cont'd)

State Sales Tax City/County Distributions*

1980-1981

City/County	Distribution of Collections	Food Tax Reimbursement	Total Distribution	Percent of Distribution	Population Mid-decade Census
Apache	$ 1,048,998	$ 137,649	$ 1,186,647	.9847	
Cochise	2,762,916	362,303	3,125,219	2.5933	
Coconino	3,871,486	461,119	4,332,605	3.5952	
Gila	2,039,901	226,551	2,266,452	1.8475	
Graham	598,641	90,439	689,080	.5718	
Greenlee	1,659,424	148,645	1,808,069	1.5003	
Maricopa	58,785,853	7,097,090	65,882,943	54.6700	
Mohave	2,502,192	346,225	2,848,417	2.3636	
Navajo	3,404,670	428,428	3,833,098	3.1807	
Pima	19,733,222	2,453,946	22,187,168	18.4110	
Pinal	4,058,270	439,535	4,497,805	3.7323	
Santa Cruz	862,143	125,922	988,065	.8199	
Yavapai	2,918,684	401,451	3,320,135	2.7551	
Yuma	3,123,945	420,443	3,544,388	2.9412	
County Total**	$107,370,346	$13,139,744	$120,510,090	100.00%	
Distribution Total	$187,258,996	$20,817,084	$208,076,081		
Percent of Total	90.00%	10.00%	100.00%		

* City distributions from the state sales tax are based on relative population. County sales tax distributions are determined by county taxable sales and assessed valuations.

** Totals may not add due to rounding.

Note: Some cities do not receive food tax reimbursement pursuant to ARS 42-1342.01.H.

TABLE 41

Gross and Net Luxury Tax Collected

1974-75 / 1980-81

Fiscal Year	Gross	Net	Net as Percent of Gross	Percent of Change in Net
1974-75	$50,267,536	$50,097,998	99.66	-
1975-76	52,272,912	52,097,533	99.66	3.99
1976-77	53,464,105	53,263,758	99.63	2.24
1977-78	57,155,200	55,940,257	97.87	5.02
1978-79	60,034,799	58,812,738	97.96	5.13
1979-80	63,328,125	61,978,771	97.87	5.38
1980-81	62,885,112	62,546,016	99.46	.92

TABLE 42

Gross and Net Estate Tax Collected

1974-75 / 1980-81

Fiscal Year	Gross	Net	Net as Percent of Gross	Percent of Change in Net
1974-75	$ 4,204,694	$ 3,910,322	93.00	-
1975-76	5,121,777	4,796,286	93.64	22.66
1976-77	5,307,916	4,723,277	88.99	(1.52)
1977-78	4,803,734	4,627,365	96.33	(2.03)
1978-79	8,941,199	8,745,365	97.81	88.99
1979-80	12,841,881	12,601,638	98.13	44.10
1980-81	11,297,896	10,554,080	93.42	(16.25)

TABLE 43

Municipal Sales Tax Collection Program

Total Program Collections by Fiscal Year

1974-75 / 1980-81

Fiscal Year	Amount	Percent of Change
1974-75	$ 7,200,000	-
1975-76	10,679,373	48.32
1976-77	12,979,383	21.54
1977-78	16,107,372	24.10
1978-79	20,708,038	28.56
1979-80	24,024,045	16.01
1980-81	27,408,078	14.09

TABLE 44

Actual Full and Limited Cash Values

1974-1981

Fiscal Year	Cash Value		Percent of Change	
	Full	Limited	Full	Limited
1974	$24,266,432,404	$ -	42.01	-
1975	27,394,135,976	-	12.89	-
1976	30,019,378,756	-	9.58	-
1977	32,171,821,991	-	7.17	-
1978	35,955,598,241	-	11.76	-
1979	41,483,794,840	-	15.38	-
1980	47,609,568,870	45,642,310,035	14.77	-
1981	61,049,496,853	52,353,045,724	28.23	14.70*

* Increase due to inflation on existing properties, additions to the property tax rolls and modification of existing properties.

TABLE 45

Actual Primary and Secondary Net Assessed Valuation

1974-1981

Calendar Year	Primary Assessed Valuation	Percent of Change	Secondary Assessed Valuation	Percent of Change
1974	$ -	-	$5,127,692,078	-
1975	-	-	5,836,289,483	13.82%
1976	-	-	6,200,230,075	6.24
1977	-	-	6,655,381,547	7.34
1978	-	-	6,881,938,692	3.40
1979	-	-	7.123,924,828	3.52
1980	7,702,197,545	-	7,977,471,348	11.98
1981	8,884,731,595	15.35%	9,953,647,817	24.77

TABLE 46

Total Average Property Tax Rates - Combined

By Political Subidivion Type

1974-1981

Annual Year	School Districts	Percent of Change	Counties	Percent of Change	State	Percent of Change	Municipalities	Percent of Change	Community Colleges	Percent of Change	Special Districts	Percent of Change	Total Average Property Tax Rate*	Percent of Change
1974	4.80	-	2.38	-	1.50	-	.82	-	.60	-	.21	-	10.31	-
1975	4.91	2.29	2.75	15.55	1.60	6.67	.80	0	.61	1.67	.21	0	10.88	5.53
1976	5.34	8.76	2.70	(1.82)	1.60	0	.80	0	.69	13.11	.22	4.76	11.35	4.32
1977	5.50	3.00	2.68	(.74)	1.60	0	.80	0	.71	2.90	.22	0	11.51	1.41
1978	5.78	5.09	2.57	(4.10)	1.10	(31.25)	.76	(5.00)	.82	15.49	.28	27.27	11.31	(1.74)
1979	6.28	8.65	2.70	5.06	.48	(56.36)	.74	(2.63)	.89	8.54	.29	3.57	11.38	.62
1980														
Primary	3.84	-	2.23	-	1.25	-	.40	-	.84	-	-	-	8.57	-
Secondary	.96	-	.31	-	-	-	.32	-	.04	-	.41	-	2.03	-
1981														
Primary	3.62	(5.73)	2.15	(3.59)	.94	(24.00)	.38	(5.00)	.77	(8.33)	-	-	7.87	(8.17)
Secondary	.83	(13.54)	.19	(38.71)	-	-	.30	(6.25)	.03	(25.00)	.38	(7.32)	1.73	(14.78)

* Figures may not add to totals due to rounding.

TABLE 47

Combined Total Property Tax Levy

By Political Subdivision Type

1974-1981

Annual Year	School Districts*	Percent of Change	Counties	Percent of Change	State	Percent of Change	Municipalities	Percent of Change	Community Colleges	Percent of Change	Special Districts	Percent of Change	Total Property Tax Levy	Percent of Change
1974	$246,204,130	-	$122,136,254	-	$ 76,916,581	-	$42,274,193	-	$30,816,955	-	$10,812,660	-	$529,160,773	-
1975	286,204,924	16.25	160,305,643	31.25	93,220,632	21.20	46,648,826	10.35	35,508,401	15.22	12,034,363	11.30	633,922,789	19.80
1976	332,542,963	16.19	168,289,261	4.98	99,203,363	6.42	49,346,542	5.78	42,498,421	19.69	12,626,534	4.92	704,507,084	11.13
1977	366,042,701	10.07	178,595,713	6.66	106,486,106	7.34	53,043,852	7.49	47,557,896	11.91	15,117,979	19.73	766,844,247	8.85
1978	397,737,383	8.66	177,199,062	(.78)	75,701,324	(24.91)	52,490,423	(1.04)	56,457,874	18.71	18,830,759	24.56	778,416,825	1.51
1979	447,752,646	12.57	192,180,342	8.45	34,194,839	(54.83)	52,848,066	.68	63,451,292	12.39	20,366,494	8.16	810,793,679	4.16
1980	372,198,427	(16.87)	196,264,468	2.13	96,260,779	181.51	56,466,423	6.85	68,014,378	7.19	32,391,567	59.04	821,596,042	1.33
1981	403,889,296	8.51	210,347,937	7.18	84,349,439	(12.37)	63,043,689	11.65	71,520,607	5.16	37,688,975	16.35	870,839,943	5.99

* Includes unorganized territories.

TABLE 48

Private Rail Car Tax Collections

Gross = Net

1974-75 / 1980-81

Fiscal Year	Amount	Percent of Change
1974-75	$1,295,494	-
1975-76	1,389,157	7.23%
1976-77	1,277,441	(8.04)
1977-78	1,348,215	5.54
1978-79	999,759	(25.85)
1979-80	536,773	(46.31)
1980-81	692,366	28,99

TABLE 49

Flight Property Tax Collections

1974-75 / 1980-81

Gross = Net

Fiscal Year	Amount	Percent of Change
1974-75	$2,205,999	-
1975-76	1,782,664	(19.19)
1976-77	2,012,487	12.89
1977-78	2,064,993	2.61
1978-79	2,053,858	(.54)
1979-80	2,507,401	22.08
1980-81	5,585,255	122.75

TABLE 50

Relative Property Assessment Responsibility

By Political Subdivision Type

1976-1981

Calendar Year	County Assessment	State Assessment
1976	66.00%	34.00%
1977	66.00%	34.00%
1978	65.60%	34.40%
1979	68.07%	31.93%
	Primary/Secondary	Primary/Secondary
1980	64.17%/63.76%	35.27%/36.24%
1981	66.27%/69.75%	33.73%/30.25%

TABLE 51

Property Assessment Responsibility

By County

1981

County	Amount Assessed by the Department of Revenue		Amount Assessed by the County Assessors		Total Net Assessed Value		State		County	
	Primary	Secondary	Primary	Secondary	Primary	Secondary	Percent	Secondary Percent	Percent	Secondary Percent
Apache	$ 110,727,567	$ 111,031,618	$ 33,711,484	$ 35,482,308	$ 144,439,051	$ 146,513,926	76.66%	75.78%	23.34%	24.22%
Cochise	128,024,772	129,458,685	119,860,506	127,501,835	247,885,278	256,960,520	51.65	50.38	48.35	49.62
Coconino	219,238,325	220,405,040	143,346,230	158,248,486	362,584,555	378,653,526	60.47	58.21	39.53	41.79
Gila	105,989,997	106,264,718	71,531,743	76,349,687	177,521,740	182,614,405	59.71	58.19	40.29	41.81
Graham	11,647,739	12,275,636	40,836,921	42,113,770	52,484,660	54,389,406	22.19	22.57	77.81	77.43
Greenlee	130,615,074	130,899,365	14,707,201	16,074,804	145,322,275	146,974,169	89.88	89.06	10.12	10.94
Maricopa	973,845,674	976,172,869	3,563,891,021	4,355,066,522	4,537,736,695	5,331,239,391	21.46	18.31	78.54	81.69
Mohave	86,365,816	86,979,914	160,934,729	176,666,276	247,300,545	263,616,190	34.92	32.98	65.08	67.02
Navajo	337,375,699	338,507,907	100,972,497	106,909,624	438,348,196	445,417,531	76.97	76.00	23.03	24.00
Pima	511,575,432	512,945,264	1,108,900,052	1,253,443,604	1,620,475,484	1,766,388,868	31.57	29.04	68.43	70.96
Pinal	176,614,030	178,087,918	133,748,869	144,406,826	310,362,899	322,494,744	56.91	55.22	43.09	44.78
Santa Cruz	13,336,382	13,560,350	45,196,672	57,623,340	58,533,054	71,183,690	22.78	19.05	77.22	80.95
Yavapai	127,083,631	128,733,507	171,568,439	207,771,054	298,652,070	336,504,561	42.55	38.26	57.45	61.74
Yuma	63,967,626	65,570,326	179,117,467	185,126,564	243,085,093	250,696,890	26.31	26.16	73.69	73.84
Total	$2,996,407,764	$3,010,863,117	$5,888,323,831	$6,942,784,700	$8,884,731,595	$9,953,647,817	33.73	30.25	66.27	69.75

TABLE 52

Sales Tax Rates

Taxable Activities	Privilege Tax	Education Excise Tax	Special Education Excise Tax	Combined Tax
Mining, Oil and Gas Production	1%	1/2%	1%	2-1/2%
Transporting and Towing	1%	1%	2%	4%
Utilities	1%	1%	2%	4%
Communications	1%	1%	2%	4%
Railroads and Aircraft	1%	1%	2%	4%
Publishing	1%	1%	2%	4%
Printing and Advertising	1%	1%	2%	4%
Private Car and Pipelines	1%	1%	2%	4%
Contracting	1%	1%	2%	4%
Timbering	1%	1/2%	-	1-1/2%
Restaurants and Bars	2%	2%	-	4%
Amusements	2%	1%	-	4%
Rentals of Real Property	2%	1%	-	3%
Rentals of Personal Property	2%	2%	-	4%
Wholesale Feed	1/4%	1/8%	-	3/8%
Retail	2%	2%	-	4%

GLOSSARY

AD VALOREM - Latin, meaning according to value. Property taxes are ad valorem taxes since property is taxed according to full cash value.

ASSESSED VALUATION - The portion of full cash or limited property value remaining after applications of statutory assessment ratios.

EDUCATION EXCISE TAX - Levied on the same activities as transaction privilege tax. This tax represents one portion of what is commonly known as sales tax and is deposited in the state general fund for the support of public education.

ESCHEATED ESTATES - Personal and real property of a decedent who leaves neither a will nor known heirs. Such property is distributed to the state and the proceeds are deposited into the Permanent School Fund.

ESTATE TAX - Excise on the transfer of property after death; levied on the net estate before it is distributed.

FOOD TAX REIMBURSEMENT - Distribution of transaction privilege tax to counties and municipalities to replace loss of shared sales tax from exemption of food.

FULL CASH VALUE - Amount for which property is likely to sell in a transfer between a willing seller and a willing buyer; value for purposes of secondary property tax.

GENERAL FUND - The state treasury account in which tax revenues and other income are deposited, and from which the legislature allocates funds for government programs.

LIMITED PROPERTY VALUE - The value placed on property for purposes of computing primary assessed values and taxes. For existing property, limited value is normally calculated at the lesser of current full cash value, or the previous year's limited value increased by 10 percent.

LUXURY TAX - Tax on the manufacture and sale of various commodities including alcoholic beverages and tobacco products.

NET - Net amount to the state general fund after refunds and distributions.

PERSONAL PROPERTY - Generally, movable, tangible items not permanently attached to real estate. Personal property includes such items as railroad cars, tractors, fork lifts, office equipment, production equipment, livestock, etc.

PRIMARY ASSESSED VALUE - The assessed value of a property for primary tax purposes. It is calculated by multiplying the limited property value by the appropriate assessment ratio.

PRIMARY EXEMPTION - The amount of exemption, if any, allowed against primary assessed value.

PRIMARY PROPERTY TAXES - Taxes raised for the ongoing operations of counties, cities, community colleges and school districts. Primary taxes are based on primary assessed values.

PROPERTY TAX LEVY - The total amount of money to be raised from property taxes to help pay the operating cost of a taxing district.

PUBLIC UTILITY - A supplier of a service which is useful to the public; a railroad, airline, car line, telephone, telegraph, gas, power, water or pipeline company.

REAL PROPERTY - Real estate, land, buildings and other permanent fixtures to the land or buildings.

RENTAL OCCUPANCY TAX - A tax levied on certain tenants who entered into long-term leases prior to December 1, 1967. Funds in the account are distributed in the same manner as transaction privilege tax.

SECONDARY ASSESSED VALUE - The assessed value of a property for secondary tax purposes. It is calculated by multiplying the full cash value of the property by the appropriate assessment ratio.

SECONDARY PROPERTY TAXES - Taxes raised for special districts, retirement of bonded indebtedness and voter-approved overrides of levy limits. Secondary taxes are based on secondary assessed values.

SPECIAL EXCISE TAX FOR EDUCATION - Levied on some of the same activities as transaction privilege tax. This tax represents one portion of what is commonly known as sales tax, and is deposited in the state general fund.

TAXABLE INCOME - The amount of income subject to taxation after deductions and exemptions have been subtracted.

TRANSACTION PRIVILEGE TAX - A tax on the privilege of engaging in business in Arizona. This tax represents one portion of what is commonly known as sales tax and is shared with the counties and municipalities.

UNCLAIMED PROPERTY - Personal property belonging to individuals and in the custody of "holders" (banks, insurance companies, brokerage firms, public utilities, corporations, etc.) on which there has been no activity for seven years and which is presumed abandoned.

URBAN REVENUE SHARING - Program under which part of the Arizona state income tax collectes is returned to each of the municipalities.